

Exhibit 4



Comment

United States
Internet Software & Services

20 December 1999

Henry Blodget
First Vice President
(1) 212 449-0773
Henry_Blodget@ml.com

Kirsten Campbell
Industry Analyst
(1) 212 449-3113
Kirsten_Campbell@ml.com

CMGI

Initiating Coverage with Accumulate/Buy

ACCUMULATE

Reason for Report: Initial Opinion

Long Term
BUY

Price: \$222 3/16

Estimates (Jul)	1999A	2000E	2001E
EPS:	NA	NA	NA
P/E:	NM	NM	NM
EPS Change (YoY):		NM	NM
Cash Flow/Share:	NA	NA	NA
Price/Cash Flow:	NM	NM	NM
Dividend Rate:	Nil	Nil	Nil
Dividend Yield:	Nil	Nil	Nil

Opinion & Financial Data

Investment Opinion:	D-2-I-9
Mkt. Value / Shares Outstanding (mn):	\$25,107 / 113
Book Value/Share (Oct/1999):	\$30.44
Price/Book Ratio	7.3x
ROE 2000E Average:	NA
LT Liability % of Capital:	0.0%
Est. 5 Year EPS Growth:	NA

Stock Data

52-Week Range:	\$240-\$16 1/4
Symbol / Exchange:	CMGI / OTC
Options:	None
Institutional Ownership-Spectrum:	29.8%

ML Industry Weightings & Ratings**

Strategy; Weighting Rel. to Mkt.:	
Income:	Underweight (07-Mar-1995)
Growth:	Overweight (07-Mar-1995)
Income & Growth:	Overweight (07-Mar-1995)
Capital Appreciation:	In Line (28-Jan-1999)
Market Analysis; Technical Rating:	Average (25-Oct-1999)

**The views expressed are those of the macro department and do not necessarily coincide with those of the Fundamental analyst.
For full investment opinion definitions, see footnotes.

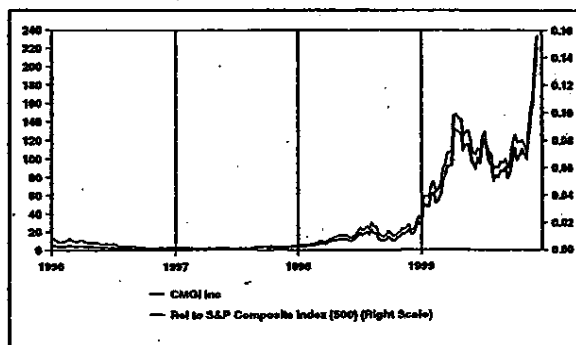
Investment Highlights:

- We are initiating coverage of CMGI with an Accumulate/Buy rating and 12-18 month price target of \$300 (3X est. NAV of \$100/share). The stock is a core holding in our internet portfolio.
- CMGI's stock has performed exceptionally well over the last three years. CMGI's operating companies and venture investments have included 8 successful IPOs (with 2 more in registration) and 9 sales.
- CMGI's stock tends to trade as a proxy for the health of the Internet sector and Internet IPO market. We believe the stock will continue to be exceptionally volatile but trend higher long-term. Bottom line, CMGI is long the internet. As long as the public market for internet stocks does well, CMGI probably will, too.

Fundamental highlights:

- CMGI is an internet holding company that develops, operates, and invests in other internet companies. The company's holdings include majority-owned subsidiaries such as Alta Vista and more than 30 strategic minority investments across all sectors of the internet industry.
- Although the majority of CMGI's public holdings focus on B2C (advertising services, especially), nearly two-thirds of its investments are in the Infrastructure and B2B sectors. In addition, it is in the process of

Stock Performance



RC920135426

Merrill Lynch & Co.
Global Securities Research & Economics Group
Global Fundamental Equity Research Department

CMGI 0001

CMGI Inc – 20 December 1999



launching a new \$1 billion B2B fund, Asian and European funds, an infrastructure fund, and an e-commerce fund.

■ Summary

CMGI is a holding company that develops, operates, and invests in Internet companies. The company's holdings comprise both majority-owned subsidiaries and strategic minority investments. The holdings are concentrated in the Internet content, commerce, community, advertising services, infrastructure, and B2B sectors.

Our basic internet investment strategy for aggressive investors is to allocate a small percentage of capital (10%) to a basket of high-quality Internet stocks. We would add CMGI to this group of core Internet names, and we believe it has several characteristics that make it an especially compelling investment.

- CMGI is expected to increasingly focus on international, infrastructure, and B2B – more nascent (read strong growth ahead) and larger Internet markets long-term than domestic B2C.
- CMGI, in and of itself, is a basket of investments. The majority of the investment holdings are private companies (although the majority of the estimated net asset value is derived from public or soon-to-be-public companies). Obviously, there is a large amount of risk in private-market investing. However, that risk is offset by diversity and by what we believe is the potential for a great deal of upside. Not all of CMGI's companies will grow to the sky; in fact, it is likely that some won't grow at all—and that's okay. In this industry, a few home runs can offset dozens of strikeouts.

■ Company Description

CMGI is a complex company with many moving parts. However, from 50,000 feet the company and its strategy are fairly simple. CMGI:

- Finds, invests in, or buys internet companies;
- provides capital;
- merges, splits, or otherwise re-organizes the companies (assuming this will enhance value);
- provides infrastructure and back-end fulfillment services (technology, hosting, content delivery, etc.), in part through CMGI Solutions, a majority-owned subsidiary dedicated to providing end-to-end e-business solutions;
- provides strategic, management, and marketing expertise, the latter through a network of advertising services companies; and
- promotes collaboration among the companies.

CMGI plans to continue investing in Internet companies at a rapid pace, targeting 1-3 acquisitions and 4-6 @Ventures

investments per month.

■ Corporate Structure

CMGI's subsidiaries and strategic investments have their own management teams, most of which in one way or another report to David Wetherell (CMGI's CEO) and the rest of the CMGI management team. CMGI itself consists of a small senior management group, a finance group, a corporate development group, and the @Ventures group, which includes eight managing partners. One of the risks for CMGI (and other large internet holding companies) is scalability: as the company's subsidiaries become large, global businesses, it will become increasingly critical to hire and retain strong operating managers.

■ Internet Venture Funds

The Company maintains investments in three Internet venture funds: CMG@Ventures I, LLC, CMG@Ventures II, LLC and CMG@Ventures III, LLC. CMGI owns 100% of the capital and is entitled to 77.5% to 80% of the net capital gains of these three funds. The funds' track record includes six successful Internet IPOs (Lycos, GeoCities, Silknet, Chemdex, Critical Path and MotherNature.com), seven strategic company sales and one companies currently in the IPO process.

While CMGI is known more for its B2C investments such as Lycos and GeoCities, nearly two-thirds of the companies in the current @Ventures portfolios operate in the B2B arena. The company is in the process of forming a variety of new venture funds, including CMG@Ventures B2B, a new venture fund to be focused exclusively on business-to-business Internet venture capital investments. This fund is expected to reach up to \$1 billion in capital, with CMGI as the sole limited investor.

Other upcoming funds include:

- @Ventures Asia, a \$100-200 million fund set up as a joint venture with Pacific Century CyberWorks;
- @Ventures Europe, a \$500 million - \$1 billion fund for which the company could possibly make an acquisition;
- @Ventures IV, a \$500 million - \$1 billion fund focusing on e-commerce and viral marketing companies; (marketing that propagates itself, such as advertisement at the end of an e-mail) and
- @Ventures Internet Technology Marketing Fund, a \$500 million - \$1 billion fund focusing on Internet infrastructure companies.

■ Model and Valuation

We are initiating coverage of CMGI with an Accumulate/Buy rating and 12 month price objective of \$300 based on 3X estimated net asset value (NAV) of about \$100 per share. This multiple of NAV is significantly higher than CMGI's historical average, which has usually been around 1X-2X NAV, but is an substantial

(Continued)



CMGI Inc -- 20 December 1999

discount to the 10X NAV multiple of CMGI's best public comparable, Internet Capital Group. Although newer to the market than CMGI, ICG has focused more intently on developing a large and specialized senior management team at the holding company level, which should allow it to scale effectively. ICG is also focused exclusively on B2B and has fewer public holdings, which presumably leaves more immediate upside in its NAV. Over time, as CMGI continues to build out its operating expertise and proves that it is capable of successfully integrating the many public companies it has acquired in the past few months, we believe CMGI's multiple to NAV could expand.

Valuing CMGI is difficult at best and futile at worst (estimated asset value plus option value leaves plenty of room for subjectivity). CMGI is highly volatile and with a market cap of \$25 billion (2X estimated net asset value), it is certainly not inexpensive. We believe, however, that CMGI will continue to increase its NAV for as long as the public market for Internet companies remains strong.

CMGI will likely continue to trade as a proxy for the health of B2C (and now B2B) Internet companies and for the health of the Internet IPO market, both of which are largely sentiment and catalyst driven. As long as fundamentals of Internet usage and e-commerce look strong, valuation per se will likely not be a significant driver of the stock in either direction, and CMGI will move along with, and possibly at a premium to, the sector. If the Internet sector craters, of course, CMGI will crater along with it.

To perform a bottoms-up valuation analysis of CMGI we first add together four components to estimate a net asset value (NAV):

- 1) value of public holdings (which we estimate to be about \$7 billion),
- 2) estimated value of companies projected to go public within the next year (post IPO trading value, another \$3 billion),
- 3) estimated value of the remaining holdings (\$1.2 billion from the remaining consolidated holdings and only \$400 million from @Ventures holdings), and
- 4) \$705 million in cash, for a total net asset value of \$12.6 billion, or \$110 per CMGI share.

We then consider two additional factors: 1) estimated change in the NAV of the current business over time, and 2) option value—or the estimated value of all new investments or other value the company might make over time. These factors, along with the second and third components of net asset value, are highly subjective, and can make the stock look either outrageously expensive—or quite reasonable, even at \$220 (at the current rate of Internet sector appreciation, it would not take long for the NAV to double).

As in other industries, Internet market leaders such as

CMGI perpetually look overvalued. In most cases, they stay that way—and investors that buy and hold are richly rewarded. In this sector especially, we would rather pay up for high quality names such as CMGI than pay cheaper prices for lesser quality companies. Bottom line, CMGI is long the Internet—and, in our opinion, represents a good way for public market investors to do the same.

■ Key Issues/Metrics to Track

In our opinion, the three key metrics to track while following CMGI are: 1) the progress of integration of the advertising and marketing services subsidiaries (Engage, Adsmart, et. al.), 2) the combined value of the company's top 10 holdings, and 3) upcoming IPOs.

While CMGI has investments in over 50 Internet companies, we estimate that 80% of its net asset value is derived from its top 10 holdings. Of these ten, six are public companies (Engage, NaviSite, Lycos, Yahoo, Pacific Century Cyberworks, and Silknet). The market value of CMGI's stake in these companies is approximately \$6.6 billion, or 53% of our estimated \$12.6 billion total NAV. The four remaining top ten holdings are consolidated properties (AltaVista, iCast, NaviNet, and Adsmart.) We estimate the NAV of these to be \$3.5 billion, or 28% of the total, based on our F2000 revenue estimates and revenue multiples for each company (12X for Alta Vista, 7X for iCast, and 10X for Navinet and Adsmart).

We expect four of CMGI's consolidated properties (AltaVista, Navinet, 1stUp.com, and MyWay.com) and three @Venture investments (Furniture.com, Vicinity and Ancestry.com) to go public within the next year. These liquidity events often serve as catalysts for CMGI's stock, particularly when the company going public represents a significant piece of CMGI's net asset value (such as Alta Vista).

■ Risks

Like all Internet stocks, CMGI is an extremely risky investment. The risks include: volatility (50% moves in either direction with no change in fundamentals are normal), integration (CMGI has been buying 2-3 companies a month for the last six months), and the health of the public market Internet sector in general.

Table 1: CMGI Asset Model

Public Holdings	Ticker	Price 12/17/99	Shares	Market Value	Fully Dil. CMGI Share	CMGI Fully Diluted Asset Value		
						(\$M)	% of Total	Per CMGI Share
Akamai	AKAM	\$280	91	\$25,615	0.3%	\$70	0.6%	\$0.62
Amazon.com	AMZN	95	337	31,971	0.0%	10	0.1%	0.09
Chemdex Corporation	CMDX	73	32	2,307	6.8%	158	1.2%	1.39
Critical Path	CPTH	68	38	2,585	3.4%	89	0.7%	0.78
Engage Technologies	ENGA	60	47	2,817	82.4%	2,320	18.4%	20.50
Hollywood	HLYW	14	46	640	9.5%	61	0.5%	0.54
Entertainment								
Informix	IFMX	9	191	1,774	0.1%	1	0.0%	0.01
Lycos	LCOS	82	87	7,139	13.2%	942	7.5%	8.32
Marketing Services	MSGI	17	25	427	9.2%	39	0.3%	0.35
Group								
Mother Nature	MTHR	9	15	138	7.2%	10	0.1%	0.09
Mother Nature	MTHR	7	15	103	0.0%	0	0.0%	0.00
warrants @ \$2.31								
Navisite	NAVI	68	27	1,850	71.6%	1,326	10.5%	11.71
Open Market	OMKT	35	36	1,274	0.4%	4	0.0%	0.04
Open Market	OMKT				0.2%	2	0.0%	0.01
warrants @ \$16.43								
Pacific Century	PCCLF	1	8,816	11,373	5.1%	578	4.6%	5.11
CyberWorks								
Premiere Technologies	PTEK	7	47	333	0.0%	-	0.0%	-
Silknet	SILK	123	16	1,921	14.2%	273	2.2%	2.41
Silknet warrants @	SILK				0.4%	7	0.1%	0.06
\$2.20*								
Tickets.com	TDX	16	57	902	1.0%	9	0.1%	0.08
USWeb	USWB	44	76	3,353	0.2%	6	0.0%	0.05
Yahoo!	YHOO	344	263	90,554	1.1%	1,028	8.1%	9.08
Yahoo! options @ \$1.3	YHOO				0.2%	180	1.4%	1.59
Total Public Holdings						\$7,114	56.3%	\$62.85
IPO Candidates	@ Ventures/ Consolid	00 Rev Est	00 Rev Mult	Valuation	FD CMGI Share	CMGI Fully Diluted Asset Value		
						(\$M)	% of Total	Per CMGI Share
Within 1 Year								
Furniture.com	V3	\$10	7.0x	70	3.5%	2	0.0%	0.02
Vicinky Corp.	V1,2	10	10.0x	100	39.1%	39	0.3%	0.35
MyFamily.com	V3	10	7.0x	70	5.1%	4	0.0%	0.03
(Ancestry.com)								
AltaVista/RagingBull	C	290	12.0x	3,480	64.8%	2,255	17.9%	19.92
Navinet	C	45	10.0x	450	80.0%	360	2.8%	3.18
1st up.com	C	15	10.0x	150	80.0%	120	0.9%	1.06
CMGI Solutions	C	14	10.0x	140	80.0%	112	0.9%	0.99
MyWay.com	C	\$50	7.0x	\$350	80.0%	280	2.2%	2.47
Total IPO Candidate Holdings						\$3,172	25.1%	\$28.03
Other Holdings						\$1,641	13.0%	\$14.50
Total CMGI Holdings						\$11,927	94.4%	\$105.37
Cash						\$705	5.6%	\$6.23
Total CMGI Assets						\$12,632	100.0%	\$112.60
CMGI Share Price								\$220
Price/Asset Value								2.0x
Shares outstanding								113.0

Source: ML Estimates



CMGI Inc - 20 December 1999

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Opinion Key: A - Buy, B - Accumulate, C - Neutral, D - Sell, E - No Rating. Income Rating: 1 - Same/Lower, 2 - Same/Higher, 3 - No Cash Dividend.

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CMGI 0005



Bulletin

United States
Internet Software & Services

20 December 1999

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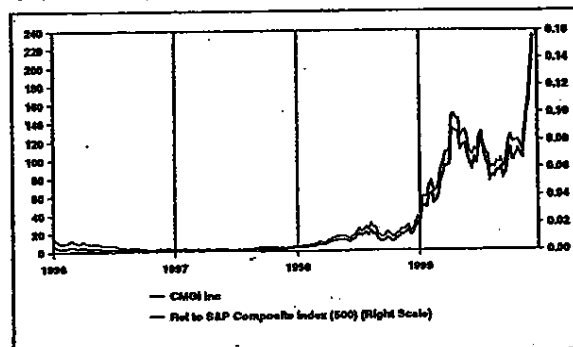
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Stock Performance



RC#10135460

Merrill Lynch & Co.
Global Securities Research & Economics Group
Global Fundamental Equity Research Department

CMGI 0006

CMGI - 20 December 1999



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CMGI 0007



21 December 1999

Morning Notes Summary

Part 2

Rsch. Summary

Pharmacia & Upjohn (PNU; \$47 1/8; B-2-1-7)

The Numbers Tell a Prettier Story (Bulletin Ran 12/20/99)

99E \$1.80; 00E \$2.01; Market Cap.: \$25,164mn

- Pharmacia & Upjohn announced today that they are merging with Monsanto in a pooling of interest, tax-free transaction. If completed, PNU shareholders will get 1.19 shares of Newco while MTC holders will get 1.00 share.
- From the perspective of PNU shareholders this transaction is expected to be dilutive to EPS by 11% in the first year and accretive in 2001 and beyond. Our preliminary EPS figures for Newco are \$1.52 in 2000, \$1.96 in 2001 and \$2.57 in 2002.
- We therefore believe that today, PNU is worth between \$49-\$54 and could be worth \$60-\$62 12-18 months from now. We therefore believe that the poor reaction to the transaction has created a buying opportunity.
- The company plans on generating \$600 million in cost synergies. We have assumed that 33% of this figure will be delivered in each of the first three years after the transaction closes.
- 6-12 months after the closing, the new company plans to float 19.9% of its agricultural chemicals/biotechnology business, which we believe is worth 1.5 - 2.0 time sales.

(S. Tighe/G. Gilbert/W. Holman)

**CMGI (CMGI; \$222 3/16; D-2-1-9)**

Initiating Coverage with Accumulate/Buy (Bulletin Ran 12/20/99)

- We are initiating coverage of CMGI with an Accumulate/Buy rating and 12-18 month price target of \$300 (3X est. NAV of \$100/share). The stock is a core holding in our internet portfolio.
- CMGI's stock has performed exceptionally well over the last three years. CMGI's operating companies and venture investments have included 8 successful IPOs (with 2 more in registration) and 9 sales.
- CMGI's stock tends to trade as a proxy for the health of the Internet sector and Internet IPO market. We believe the stock will continue to be exceptionally volatile but trend higher long-term. Bottom line, CMGI is long the internet. As long as the public market for internet stocks does well, CMGI probably will, too.
- CMGI is an internet holding company that develops, operates, and invests in other internet companies. The company's holdings include majority-owned subsidiaries such as Alta Vista and more than 30 strategic minority investments across all sectors of the internet industry.
- Although the majority of CMGI's public holdings focus on B2C (advertising services, especially), nearly two-thirds of its investments are in the Infrastructure and B2B sectors. In addition, it is in the process of launching a new \$1 billion B2B fund, Asian and European funds, an infrastructure fund, and an e-commerce fund.

(H. Blodget/K. Campbell)

Entrust Technologies Inc. (ENTU; \$53 11/16; D-2-1-9)

Relevance of VeriSign's Acquisitions (Bulletin Available)

99E \$0.09; 00E \$0.36; Market Cap.: \$3,259mn

- We are reiterating our intermediate-term Accumulate rating on Entrust.
- We are maintaining our 12-18 month price objective of \$75 based on 30x 2000 revenue.
- We believe that yesterday's sell-off was an over-reaction to concerns that VeriSign's acquisitions would have a negative impact on Entrust's business.
- 50% of Entrust's revenue is generated by the B2B commerce market which is unaffected by VeriSign's acquisition of Thawte.
- VeriSign's acquisition will have no impact on Entrust's licensing of Thawte technology. VeriSign stated that Thawte would continue to maintain its relationship with Entrust for the duration of the contract.
- Entrust's root key is embedded in Internet Explorer 5.0.1 and Windows 2000, reducing its dependency on Thawte technology.
- VeriSign's dominance of the web site certificate market will not impact Entrust's ability to provide client-side authentication solutions and PKI certificates for the fast-growing wireless Internet market.

(M. Fernandes/C. Shilakes)

(CMGI, ENTU) The securities of the company are not listed but trade over-the-counter in the United States. In the US, retail sales and/or distribution of this report may be made only in states where these securities are exempt from registration or have been qualified for sale. MLF&S or its affiliates usually make a market in the securities of this company.

Opinion Key (X-e-b-c): Investment Risk Rating (X): A - Low, B - Average, C - Above Average, D - High. Appreciation Potential Rating (a: Int. Term - 0-12 mo.; b: Long Term - >1 yr.): 1 - Buy, 2 - Accumulate, 3 - Neutral, 4 - Reduce, 5 - Sell, 6 - No Rating. Income Rating (c): 7 - Same/Higher, 8 - Same/Lower, 9 - No Cash Dividend.

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Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report. In addition, investors in securities such as ADRs, whose values are influenced by the currency of the underlying security, effectively assume currency risk.



Bulletin

United States
Internet Software & Services

20 January 2000

Henry Blodget
First Vice President
(1) 212 449-0773
Henry_Blodget@ml.com

Kirsten Campbell
Industry Analyst
(1) 212 449-3113
Kirsten_Campbell@ml.com

CMGI Inc

CMGI Sells Ad Properties to Engage

ACCUMULATE*

Reason for Report: CMGI Sells Flycast, Adsmart

Long Term
BUY

Price:	\$122 3/8		
Estimates (Jul)	1999A	2000E	2001E
EPS:	NA	NA	NA
P/E:	NM	NM	NM
EPS Change (YoY):		NM	NM
Cash Flow/Share:	NA	NA	NA
Price/Cash Flow:	NM	NM	NM
Dividend Rate:	Nil	Nil	Nil
Dividend Yield:	Nil	Nil	Nil

Opinion & Financial Data

Investment Opinion:	D-2-1-9
Mkt. Value / Shares Outstanding (mn):	\$27,656.8 / 226
Book Value/Share (Oct-1999):	\$15.22
Price/Book Ratio:	8.0x

Stock Data

52-Week Range:	\$163 1/2-\$20 1/8
Symbol / Exchange:	CMGI / OTC
Options:	None
Institutional Ownership-Spectrum:	23.1%
Brokers Covering (First Call):	5

ML Industry Weightings & Ratings**

Strategy; Weighting Rel. to Mkt.:		
Income:	Underweight	(07-Mar-1995)
Growth:	Overweight	(07-Mar-1995)
Income & Growth:	Overweight	(07-Mar-1995)
Capital Appreciation:	In Line	(28-Jan-1999)
Market Analysis; Technical Rating:	Average	(25-Oct-1999)

*Intermediate term opinion last changed on 20-Dec-1999.

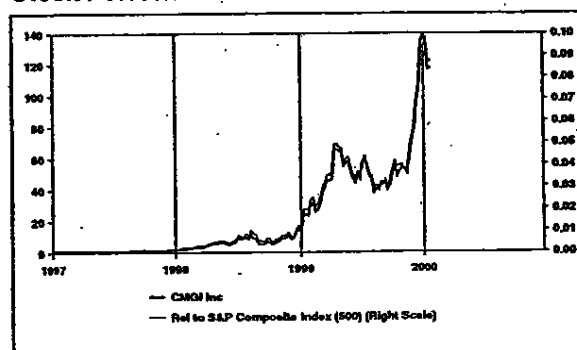
**The views expressed are those of the macro department and do not necessarily coincide with those of the Fundamental analyst.

For full investment opinion definitions, see footnotes.

Investment Highlights:

- CMGI announced today it would sell ad networks Flycast and AdSmart to Engage for \$2.5 billion in stock, approximately the net asset value (NAV) we were assigning these assets.
- Our current estimate of CMGI's net asset value is \$17.8 billion, or \$67.88 per CMGI share. At \$122, CMGI is trading at 1.8X NAV. This is an enormous discount to 9.0X NAV multiple of CMGI's best public comparable company, Internet Capital Group.
- So far today, Engage has traded up \$18 on this news. This represents a \$1.6 billion increase in NAV for CMGI shareholders, or about \$6 per CMGI share, suggesting \$18 in CMGI stock price upside based on a target 3.0x NAV multiple.
- We think this is another example of how CMGI creates value for shareholders through deft management of its public and private company portfolio, both financially and operationally.
- We are maintaining our CMGI 12-18 month price objective of \$150.

Stock Performance



Merrill Lynch & Co.
Global Securities Research & Economics Group
Global Fundamental Equity Research Department

RC#10138620

CMGI 0010

CMGI Inc - 20 January 2000



What Has Changed?

CMGI announced today it would sell ad networks Flycast and AdSmart to Engage for \$2.5 billion in stock (comprised of \$1.9 billion for Flycast, the price which CMGI paid last week, and \$600 million for AdSmart), approximately the net asset value (NAV) we were assigning these assets.

So far today, Engage, in which CMGI now owns 75mm shares (87% of shares outstanding, vs. 39mm previously), has traded up \$18 on this news. This represents a \$1.6 billion increase in net asset value (NAV) for CMGI shareholders, or about \$6 per CMGI share, suggesting \$18 in CMGI stock price upside based on a 3.0x NAV multiple.

We think this is another example of how CMGI creates value for shareholders through deft management of its public and private company portfolio, both financially and operationally.

ENGA has recently been trading at upwards of 70x its consensus standalone revenues in expectation that it would be CMGI's marketing services consolidator. CMGI sold Flycast and AdSmart to Engage for a reasonable price—20-25x 2000E calendar revenues by our estimate. (Could it have sold those assets to Engage for \$1.6 billion more, or \$4.1 billion? Perhaps, but we do not think ENGA would have responded particularly well.)

In buying Flycast and AdSmart at a more reasonable price, and through synergies across its product lines, Engage is now trading at about 40x 2000E calendar revenues of \$200+ million (based on a \$95 share price and approx. 90mm shares outstanding), closer to DCLK, which is at 30x 2000E revenue. This is what the market wanted to see.

CMGI management stated that there were no imminent plans to roll AdForce (ad serving for web sites) and YesMail into Engage, though we would expect that to be the longer term plan. CMGI said it was expecting calendar 2000E revenues for AdForce and YesMail to exceed \$100mm, also higher than we expected.

Our current estimate of CMGI's net asset value is \$17.8 billion, or \$67.88 per CMGI share (this is always a moving target given that about 70% of CMGI's NAV come from public holdings). At \$122, CMGI is trading at 1.8X NAV. This is a very large discount to 9.0X NAV multiple of CMGI's best public comparable company, Internet Capital Group. Although newer to the market than CMGI, ICG

has focused more intently on developing a large and specialized senior management team at the holding company level, which should allow it to scale effectively. ICG is also focused exclusively on B2B and has fewer public holdings, which presumably leaves more immediate upside in its NAV. Over time, as CMGI continues to build out its operating expertise, launches its \$1 billion B2B @ Venture Fund and continues to prove it is capable of successfully integrating the many companies it acquires, we believe CMGI's multiple to NAV could expand.

We are maintaining our CMGI 12-18 month price objective of \$150, though it was originally based on 3.0X NAV of about \$50. At its current NAV of \$68, the price objective represents a modest 2.2X NAV multiple which we believe is easily achievable. However, given the heavy mix of public companies in its NAV, it is easy to see that a correction in the sector would lower CMGI's NAV considerably, thereby spiking up the multiple again. Bottom line, we continue to believe that CMGI represents a good way for public market investors to be long the Internet. We reiterate our Accumulate/Buy rating.

[CMGI] The securities of the company are not listed but trade over-the-counter in the United States. In the US, retail sales and/or distribution of this report may be made only in states where these securities are exempt from registration or have been qualified for sale. MLF&S or its affiliates usually make a market in the securities of this company.

Opinion Key (A-e-b-c): Investment Risk Rating (A): A - Low, B - Average, C - Above Average, D - High. Appreciation Potential Rating (a: 1-4; b: 1-4; c: 1-4; d: 1-4; e: 1-4; f: 1-4; g: 1-4; h: 1-4; i: 1-4; j: 1-4; k: 1-4; l: 1-4; m: 1-4; n: 1-4; o: 1-4; p: 1-4; q: 1-4; r: 1-4; s: 1-4; t: 1-4; u: 1-4; v: 1-4; w: 1-4; x: 1-4; y: 1-4; z: 1-4; aa: 1-4; ab: 1-4; ac: 1-4; ad: 1-4; ae: 1-4; af: 1-4; ag: 1-4; ah: 1-4; ai: 1-4; aj: 1-4; ak: 1-4; al: 1-4; am: 1-4; an: 1-4; ao: 1-4; ap: 1-4; aq: 1-4; ar: 1-4; as: 1-4; at: 1-4; au: 1-4; av: 1-4; aw: 1-4; ax: 1-4; ay: 1-4; az: 1-4; ba: 1-4; bb: 1-4; bc: 1-4; bd: 1-4; be: 1-4; bf: 1-4; bg: 1-4; bh: 1-4; bi: 1-4; bj: 1-4; bk: 1-4; bl: 1-4; bm: 1-4; bn: 1-4; bo: 1-4; bp: 1-4; bq: 1-4; br: 1-4; bs: 1-4; bt: 1-4; bu: 1-4; bv: 1-4; bw: 1-4; bx: 1-4; by: 1-4; bz: 1-4; ca: 1-4; cb: 1-4; cc: 1-4; cd: 1-4; ce: 1-4; cf: 1-4; cg: 1-4; ch: 1-4; ci: 1-4; cj: 1-4; ck: 1-4; cl: 1-4; cm: 1-4; cn: 1-4; co: 1-4; cp: 1-4; cq: 1-4; cr: 1-4; cs: 1-4; ct: 1-4; cu: 1-4; cv: 1-4; cw: 1-4; cx: 1-4; cy: 1-4; cz: 1-4; da: 1-4; db: 1-4; dc: 1-4; dd: 1-4; de: 1-4; df: 1-4; dg: 1-4; 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ly: 1-4; lz: 1-4; ma: 1-4; mb: 1-4; mc: 1-4; md: 1-4; me: 1-4; mf: 1-4; mg: 1-4; mh: 1-4; mi: 1-4; mj: 1-4; mk: 1-4; ml: 1-4; mm: 1-4; mn: 1-4; mo: 1-4; mp: 1-4; mq: 1-4; mr: 1-4; ms: 1-4; mt: 1-4; mu: 1-4; mv: 1-4; mw: 1-4; mx: 1-4; my: 1-4; mz: 1-4; na: 1-4; nb: 1-4; nc: 1-4; nd: 1-4; ne: 1-4; nf: 1-4; ng: 1-4; nh: 1-4; ni: 1-4; nj: 1-4; nk: 1-4; nl: 1-4; nm: 1-4; nn: 1-4; no: 1-4; np: 1-4; nq: 1-4; nr: 1-4; ns: 1-4; nt: 1-4; nu: 1-4; nv: 1-4; nw: 1-4; nx: 1-4; ny: 1-4; nz: 1-4; oa: 1-4; ob: 1-4; oc: 1-4; od: 1-4; oe: 1-4; of: 1-4; og: 1-4; oh: 1-4; oi: 1-4; oj: 1-4; ok: 1-4; ol: 1-4; om: 1-4; on: 1-4; oo: 1-4; op: 1-4; oq: 1-4; or: 1-4; os: 1-4; ot: 1-4; ou: 1-4; ov: 1-4; ow: 1-4; ox: 1-4; oy: 1-4; oz: 1-4; pa: 1-4; pb: 1-4; pc: 1-4; pd: 1-4; pe: 1-4; pf: 1-4; pg: 1-4; ph: 1-4; pi: 1-4; pj: 1-4; pk: 1-4; pl: 1-4; pm: 1-4; pn: 1-4; po: 1-4; pp: 1-4; pq: 1-4; pr: 1-4; ps: 1-4; pt: 1-4; pu: 1-4; pv: 1-4; pw: 1-4; px: 1-4; py: 1-4; pz: 1-4; qa: 1-4; qb: 1-4; qc: 1-4; qd: 1-4; qe: 1-4; qf: 1-4; qg: 1-4; qh: 1-4; qi: 1-4; qj: 1-4; qk: 1-4; ql: 1-4; qm: 1-4; qn: 1-4; qo: 1-4; qp: 1-4; qq: 1-4; qr: 1-4; qs: 1-4; qt: 1-4; qu: 1-4; qv: 1-4; qw: 1-4; qx: 1-4; qy: 1-4; qz: 1-4; ra: 1-4; rb: 1-4; rc: 1-4; rd: 1-4; re: 1-4; rf: 1-4; rg: 1-4; rh: 1-4; ri: 1-4; rj: 1-4; rk: 1-4; rl: 1-4; rm: 1-4; rn: 1-4; ro: 1-4; rp: 1-4; rq: 1-4; rr: 1-4; rs: 1-4; rt: 1-4; ru: 1-4; rv: 1-4; rw: 1-4; rx: 1-4; ry: 1-4; rz: 1-4; sa: 1-4; sb: 1-4; sc: 1-4; sd: 1-4; se: 1-4; sf: 1-4; sg: 1-4; sh: 1-4; si: 1-4; sj: 1-4; sk: 1-4; sl: 1-4; sm: 1-4; sn: 1-4; so: 1-4; sp: 1-4; sq: 1-4; sr: 1-4; ss: 1-4; st: 1-4; su: 1-4; sv: 1-4; sw: 1-4; sx: 1-4; sy: 1-4; sz: 1-4; ta: 1-4; tb: 1-4; tc: 1-4; td: 1-4; te: 1-4; tf: 1-4; tg: 1-4; th: 1-4; ti: 1-4; tj: 1-4; tk: 1-4; tl: 1-4; tm: 1-4; tn: 1-4; to: 1-4; tp: 1-4; tq: 1-4; tr: 1-4; ts: 1-4; tt: 1-4; tu: 1-4; tv: 1-4; tw: 1-4; tx: 1-4; ty: 1-4; tz: 1-4; ua: 1-4; ub: 1-4; uc: 1-4; ud: 1-4; ue: 1-4; uf: 1-4; ug: 1-4; uh: 1-4; ui: 1-4; uj: 1-4; uk: 1-4; ul: 1-4; um: 1-4; un: 1-4; uo: 1-4; up: 1-4; uq: 1-4; ur: 1-4; us: 1-4; ut: 1-4; uu: 1-4; uv: 1-4; uw: 1-4; ux: 1-4; uy: 1-4; uz: 1-4; va: 1-4; vb: 1-4; vc: 1-4; vd: 1-4; ve: 1-4; vf: 1-4; vg: 1-4; vh: 1-4; vi: 1-4; vj: 1-4; vk: 1-4; vl: 1-4; vm: 1-4; vn: 1-4; vo: 1-4; vp: 1-4; vq: 1-4; vr: 1-4; vs: 1-4; vt: 1-4; vu: 1-4; vv: 1-4; vw: 1-4; vx: 1-4; vy: 1-4; vz: 1-4; wa: 1-4; wb: 1-4; wc: 1-4; wd: 1-4; we: 1-4; wf: 1-4; wg: 1-4; wh: 1-4; wi: 1-4; wj: 1-4; wk: 1-4; wl: 1-4; wm: 1-4; wn: 1-4; wo: 1-4; wp: 1-4; wq: 1-4; wr: 1-4; ws: 1-4; wt: 1-4; wu: 1-4; wv: 1-4; ww: 1-4; wx: 1-4; wy: 1-4; wz: 1-4; xa: 1-4; xb: 1-4; xc: 1-4; xd: 1-4; xe: 1-4; xf: 1-4; xg: 1-4; xh: 1-4; xi: 1-4; xj: 1-4; xk: 1-4; xl: 1-4; xm: 1-4; xn: 1-4; xo: 1-4; xp: 1-4; xq: 1-4; xr: 1-4; xs: 1-4; xt: 1-4; xu: 1-4; xv: 1-4; xw: 1-4; xx: 1-4; xy: 1-4; xz: 1-4; ya: 1-4; yb: 1-4; yc: 1-4; yd: 1-4; ye: 1-4; yf: 1-4; yg: 1-4; yh: 1-4; yi: 1-4; yj: 1-4; yk: 1-4; yl: 1-4; ym: 1-4; yn: 1-4; yo: 1-4; yp: 1-4; yq: 1-4; yr: 1-4; ys: 1-4; yt: 1-4; yu: 1-4; yv: 1-4; yw: 1-4; yx: 1-4; yy: 1-4; yz: 1-4; za: 1-4; zb: 1-4; zc: 1-4; zd: 1-4; ze: 1-4; zf: 1-4; zg: 1-4; zh: 1-4; zi: 1-4; zj: 1-4; zk: 1-4; zl: 1-4; zm: 1-4; zn: 1-4; zo: 1-4; zp: 1-4; zq: 1-4; zr: 1-4; zs: 1-4; zt: 1-4; zu: 1-4; zv: 1-4; zw: 1-4; zx: 1-4; zy: 1-4; zz: 1-4.

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Bulletin

United States
Internet Software & Services

10 February 2000

Henry Blodget
First Vice President
(1) 212 449-0773
Henry_Blodget@ml.com

Kirsten Campbell
Industry Analyst
(1) 212 449-3113
Kirsten_Campbell@ml.com

CMGI Inc

CMGI Acquires uBid

Reason for Report: Company Update

RESTRICTED*

Price: \$120 1/2

Estimates (Jul) 1999A

EPS:	NA
P/E:	NM
EPS Change (YoY):	
Consensus EPS:	
(First Call: 10-Jan-2000)	
Cash Flow/Share:	NA
Price/Cash Flow:	NM
Dividend Rate:	Nil
Dividend Yield:	Nil

Opinion & Financial Data

Investment Opinion:	RSTR*
Mkt. Value / Shares Outstanding (m):	\$27,233 / 226
Book Value/Share (Oct-1999):	\$15.22
Price/Book Ratio:	8.0x
ROE 2000E Average:	NA
LT Liability % of Capital:	NA
Est. 5 Year EPS Growth:	NA

Stock Data

52-Week Range:	\$163 1/2-\$20 1/8
Symbol / Exchange:	CMGI / OTC
Options:	None
Institutional Ownership-Spectrum:	23.1%
Brokers Covering (First Call):	5

ML Industry Weightings & Ratings**

Strategy; Weighting Rel. to Mkt.:	
Income:	Underweight (07-Mar-1995)
Growth:	Overweight (07-Mar-1995)
Income & Growth:	Overweight (07-Mar-1995)
Capital Appreciation:	In Line (28-Jan-1999)
Market Analysis; Technical Rating:	Average (25-Oct-1999)

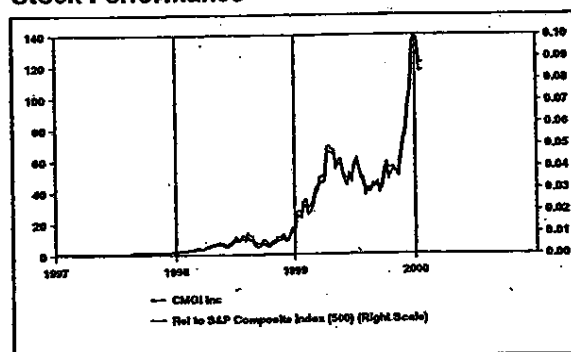
*RESTRICTED. SOLICITATION OF COMMISSION
ORDERS IS PROHIBITED.

**The views expressed are those of the macro department and do not
necessarily coincide with those of the Fundamental analyst.
For full investment opinion definitions, see footnotes.

Investment Highlights:

- CMGI announced this morning a definitive agreement to acquire uBid.com in an all-stock transaction valued at approximately \$407 million.
- As a result of this transaction we are restricted on both stocks.
- This transaction represents approximately \$31 5/8 per share for uBid and a 19% premium to its current stock price of 26 11/16.
- The acquisition is expected to close in May 2000, following shareholder and regulatory approvals.

Stock Performance



RC#10104298

Merrill Lynch & Co.
Global Securities Research & Economics Group
Global Fundamental Equity Research Department

CMGI 0012

Merrill Lynch is acting as financial advisor and has rendered a fairness opinion to uBid Inc., in connection with its acquisition by CMGI Inc, which was announced on February 10, 2000. uBid Inc has agreed to pay a fee to Merrill Lynch for its financial advisory services, a significant portion of which is contingent upon the consummation of the proposed transaction.

The proposed transaction is subject to approval by shareholders of uBid Inc.

This research report is not intended to (1) provide voting advice, (2) serve as an endorsement of the proposed transaction, or (3) result in the procurement, withholding or revocation of a proxy.

[CMGI]. The securities of the company are not listed but trade over-the-counter in the United States. In the US, retail sales and/or distribution of this report may be made only in states where these securities are exempt from registration or have been qualified for sale. MLPF&S or its affiliates usually make a market in the securities of this company.

Opinion Key (X-a-b-c): Investment Risk Rating(X): A - Low, B - Average, C - Above Average, D - High. Appreciation Potential Rating (a: Int. Term - 0-12 mo.; b: Long Term - >1 yr.): 1 - Buy, 2 - Accumulate, 3 - Neutral, 4 - Reduce, 5 - Sell, 6 - No Rating. Income Rating(c): 7 - Same/Higher, 8 - Same/Lower, 9 - No Cash Dividend.

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Comment

United States
Internet/e-Commerce

9 June 2000

Henry Blodget
(1) 212-449-0773Kirsten Campbell
(1) 212-449-3113

CMGI Inc

Long The Internet

ACCUMULATE*

Reason for Report: Company Update

Long Term
BUY

Price: \$60 7/16

Estimates (Jul)	1999A	2000E	2001E
EPS:	NA	NA	NA
P/E:	NM	NM	NM
EPS Change (YoY):		NM	NM
Cash Flow/Share:	NA	NA	NA
Price/Cash Flow:	NM	NM	NM
Dividend Rate:	Nil	Nil	Nil
Dividend Yield:	Nil	Nil	Nil

Opinion & Financial Data

Investment Opinion:	D-2-1-9
Mkt. Value / Shares Outstanding (mo):	\$16,922.5 / 280
Book Value/Share (Jan-2000):	\$20.79
Price/Book Ratio:	2.9x
LT Liability % of Capital:	4.0%

Stock Data

52-Week Range:	\$163 1/2-\$33 1/8
Symbol / Exchange:	CMGI / OTC
Options:	None
Institutional Ownership-Spectrum:	21.0%
Brokers Covering (First Call):	8

ML Industry Weightings & Ratings**

Strategy; Weighting Rel. to Mkt.:	
Income:	Underweight (07-Mar-1995)
Growth:	Overweight (07-Mar-1995)
Income & Growth:	Overweight (07-Mar-1995)
Capital Appreciation:	In-Line (28-Jan-1999)
Market Analysis; Technical Ratings:	Below Average (28-Mar-2000)

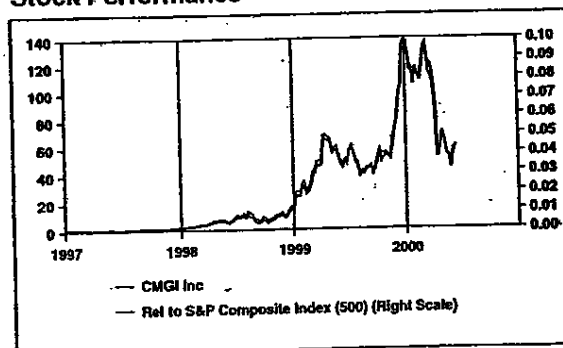
*Intermediate term opinion last changed on 20-Dec-1999.

**The views expressed are those of the macro department and do not necessarily coincide with those of the Fundamental analyst.
For full investment opinion definitions, see footnotes.

Investment Highlights:

- We are writing an update and publishing our current model.
- CMGI is an internet holding company that develops, operates, and invests in other internet companies. The company's holdings include majority-owned subsidiaries such as Alta Vista and more than 50 strategic minority investments in all Internet sectors. The company's investments have included 6 successful IPOs and 7 sales.
- We rate CMGI Accumulate/Buy, with a 12-18 month price objective of \$100 (2.4X NAV of \$41/shr).
- The majority of CMGI's public holdings are B2C (advertising services, especially), but nearly two-thirds of its investments are in Infrastructure and B2B. In addition, CMGI launched a new \$1 billion B2B fund, Asian and European funds, an infrastructure fund, and an e-commerce fund.
- Our main concerns about CMGI are 1) focus—the ability to manage subsidiaries and investments across such a wide range of sectors, and 2) the competitive positioning of some majority-owned companies (Alta Vista, for example, trails well behind the leaders in the portal market).
- CMGI tends to trade as a proxy for the Internet sector and IPO market (i.e., when the sector gets hit, so does CMGI). Bottom line, CMGI is long the internet. As long as the public market for internet stocks does well, CMGI probably will, too. We believe the stock will continue to be volatile but trend higher long-term.

Stock Performance



RCM20116127

125

Merrill Lynch & Co.
Global Securities Research & Economics Group
Global Fundamental Equity Research Department

CMGI 0014

CMGI Inc - 9 June 2000



■ Summary

CMGI is a holding company that develops, operates, and invests in Internet companies. The company's holdings comprise both majority-owned subsidiaries and strategic minority investments. The holdings are concentrated in the Internet content, commerce, community, advertising services, infrastructure, and B2B sectors.

Our basic internet investment strategy for aggressive investors is to allocate a small percentage of capital (10%) to a basket of high-quality Internet stocks. We would add CMGI to this group of core Internet names and we believe it has several characteristics that make it an especially compelling investment.

- CMGI will increasingly focus on international, infrastructure, and B2B - more nascent (read strong growth ahead) and larger Internet markets long-term than domestic B2C.
- CMGI, in and of itself, is a basket of investments. The majority of the investment holdings are private companies (although the majority of the estimated net asset value is derived from public and soon-to-be-public companies). Obviously, there is a large amount of risk in private-market investing. However, that risk is offset by diversity and by what we believe is the potential for a great deal of upside. Not all of CMGI's companies will grow to the sky; in fact, it is likely that some won't grow at all—and that's okay. In this industry, a few home runs offset dozens of strikeouts.

■ The Business

CMGI is a complex company with many moving parts. However, from 50,000 feet the company and its strategy are fairly simple. CMGI:

- Finds, invests in, or buys internet companies;
- provides capital;
- merges, splits, or otherwise re-organizes the companies (assuming this will enhance value);
- provides infrastructure and back-end fulfillment services (technology, hosting, content delivery, etc.), in part through CMGI Solutions, a majority-owned subsidiary dedicated to providing end-to-end e-business solutions;
- provides strategic, management, and marketing expertise, the latter through a network of advertising services companies; and
- promotes collaboration among the companies.
- CMGI plans to continue investing in Internet companies at a rapid pace, targeting 1-3 acquisitions and 4-6 @Ventures investments per month.

Operating Companies

CMGI's majority-owned operating companies are on a \$1.2 billion combined revenue runrate, and include Engage (ENGA), NaviSite (NAVI), 1stUp.com, Activate, AdForce, AltaVista, CMGion, CMGI Solutions,

Equilibrium, ExchangePath, iCAST, MyWay.com, NaviPath, SalesLink, Tribal Voice, uBid.com, and yesmail.com. The company expects revenues to grow 20-25% each quarter, and to be on a \$2-2.5 billion runrate by calendar year-end. The company expects the number to consolidate from 17 down to 8-9 over time. For instance, obvious synergies might include folding AdForce and yesmail.com into the Engage network for advertising and marketing services.

Internet Venture Funds

The Company maintains investments in seven Internet CMG@Venture funds. CMGI @Ventures has ownership interests in 57 companies, including Lycos (LCOS), Critical Path (CPH), MotherNature.com (MTHR), Vento (VNTR) and Vicinity (VCNT). The funds' track record includes six Internet IPOs, ten strategic company sales and three companies currently in registration.

While CMGI is known more for its B2C investments such as Lycos and GeoCities, nearly two-thirds of the companies in the current @Ventures portfolios operate in the B2B arena, including its newer CMG@Ventures B2B fund to be focused exclusively on business-to-business Internet venture capital investments. The B2B fund is expected to reach up to \$1 billion in capital, with CMGI as the sole limited investor.

■ Valuation

Valuing CMGI is difficult at best and futile at worst (estimated asset value plus option value leaves plenty of room for subjectivity). CMGI is highly volatile and with a market cap of \$14 billion (1.2X estimated net asset value), it is certainly not cheap. We believe, however, that CMGI will increase its NAV as the public market for Internet companies slowly recovers.

We rate CMGI Accumulate/Buy with a 12-18 month price objective of \$100 based on 2.4X estimated net asset value (NAV) of about \$41 per share. This multiple of NAV is higher than CMGI's historical average, which has usually been around 1X-2X NAV. This compares to the 2.5X NAV multiple Internet Capital Group, and 1.5X NAV multiple of Safeguard Scientific. Over time, as CMGI continues to build out its operating expertise and proves that it is capable of successfully integrating the many public companies it has acquired in the past few months, we believe CMGI's multiple to NAV could expand.

CMGI will likely continue to trade as a proxy for the health of B2C (and now B2B) Internet companies and for the health of the Internet IPO market, both of which are largely sentiment and catalyst driven. As the Internet sector has cratered over the past few months, CMGI cratered along with it, down 60% from March. However, as long as fundamentals of Internet usage and e-commerce look strong, we believe the top names will recover, and CMGI will move along with, and possibly at a premium to the sector.

To perform a bottoms-up valuation analysis of CMGI we first add together four components to estimate a net asset value (NAV):

(Continued)



CMGI Inc - 9 June 2000

1. value of public holdings (which we estimate to be about \$6.5 billion),
2. estimated value of companies projected to go public within the next year (\$1.8 billion post IPO trading value),
3. estimated value of the remaining holdings (\$2.9 billion), and
4. \$350 million in cash, for a total net asset value of \$11.5 billion, or \$41 per CMGI share.

We then consider two additional factors: 1) estimated change in the NAV of the current business over time, and 2) option value—or the estimated value of all new investments or other value the company might make over time. These factors, along with the second and third components of net asset value, are highly subjective, and can make the stock look either outrageously expensive—or quite reasonable.

As in other industries, Internet market leaders such as CMGI perpetually look overvalued. In most cases, they stay that way—and investors that buy and hold are richly rewarded. In this sector especially, we would rather pay up for high quality names such as CMGI than pay cheaper prices for lesser quality companies. Bottom line, CMGI is long the internet—and, in our opinion, represents a good way for public market investors to do the same.

■ The Business: Key Metrics

In our opinion, the three key metrics to track while following CMGI are: 1) the progress of integration of the advertising and marketing services subsidiaries (Engage, Adsmart, et. al.), 2) upcoming IPOs, and 3) the combined value of the company's top 10 holdings.

Advertising and Marketing Services

CMGI's advertising and marketing companies create a powerful ad services network that can deliver services across the entire online marketing life cycle: profiling, advertising sales, ad serving and measurement. This is key strategic focus for the company— and for good reason: we estimate the U.S. online ad services market was \$4.2 billion in 1999, and is growing to over \$35 billion by 2005. By that time it will be bigger than magazines, radio and the yellow pages. While 9% of viewer time is on the Internet, only 1% of ad dollars are spent on Internet advertising. We believe ad dollars will soon follow the viewers

CMGI has been on an acquisition spree in this space, and seems to have assembled all the necessary pieces to eventually create a full-fledged competitor to Doubleclick. CMGI owns 87% of publicly traded Engage, which provides ad targeting through anonymous profiles, and recently acquired then sold AdKnowledge, a profiling company, Flycast, an ad network and Adsmart ad network of branded web sites all to Engage. CMGI also recently bought yesmail.com, a permissions based email direct marketing company and ADTECH, the leading ad-serving

company in the European markets. CMGI owns AdForce, another ad network, and through its @Ventures arm owns about 5% of Radiate (formerly Aurate Media), an ad-serving software company.

There are many potential kieretsu-like benefits from this network of companies and from being a member of the CMGI family. However, while many partnerships and acquisitions have been announced, we believe there is further to go in evolving the CMGI/Engage model. We believe this integration and CMGI's ability to compete with DoubleClick will be a key metric to watch, and potentially a key driver of the stock.

DoubleClick will be a tough competitor for the CMGI ad services team, and to date has a large lead in both revenues and traffic as measured by ads sold or served. DoubleClick's DART currently delivers about 42 billion ads per month on one platform, versus CMGI's 14 billion across several different platforms. However, according to CMGI, Engage now has 62% reach, versus 50% reach for DoubleClick. That said, we do not believe this will be a winner-take-all market; our bet is that this becomes essentially a duopoly.

New IPOs

We expect five of CMGI's consolidated properties (AltaVista, NaviPath, 1stUp.com, CMGI Solutions and MyWay.com) and four @Venture investments (Furniture.com, blaxxun, eGroups, and MyFamily.com) to go public within the next year. These liquidity events often serve as catalysts for CMGI's stock, particularly when the company going public represents a significant piece of CMGI's net asset value (such as Alta Vista).

However, volatile markets, such as the one witnessed recently can swiftly put a hold on all IPO plans. Even AltaVista, one of the bigger Internet IPOs expected for the year, was pulled indefinitely due to market conditions.

Top 10 assets in portfolio

While CMGI has investments in over 70 Internet companies, we estimate that almost 80% of its net asset value is derived from its top 10 holdings. Of these ten, four are public companies (Engage, NaviSite, Pacific Century Cyberworks and Lycos). The remaining six are consolidated operating subsidiaries (AltaVista, uBid, iCast, AdForce, CMGion, CMSI Solutions.) We estimate the NAV of these top 10 to be \$9.1 billion, or 79% of CMGI's total NAV.

■ Key Issues

As a proxy for the internet, CMGI is an extremely risky investment. The risks include: volatility (50% moves in either direction with no change in fundamentals are normal), integration (CMGI has been buying 2-3 companies a month for the last six months), and the health of the public market internet sector in general.

CMGI Inc - 9 June 2000



CMGI: Net Asset Model									
	Public Holdings	Price	Shares	Value	Market	Full CMGI	Value	Market	Full CMGI
		05/31/2000							
1	Akamai	\$74	91	\$6,744	91	91	\$6,744	91	\$6,744
2	Opti	66	145	2,585	145	145	2,585	145	2,585
3	Critical Path	4	175	597	175	175	597	175	597
4	emachines (held by AltaVista)	18	175	3,081	175	175	3,081	175	3,081
5	emachines warrants @ \$4.66	14	48	840	48	48	840	48	840
6	Engage Technologies	14	18	712	18	18	712	18	712
7	Hollywood Entertainment	44	18	691	18	18	691	18	691
8	Kana (Silknet)	63	87	5,519	87	87	5,519	87	5,519
9	Kana (Silknet) warrants @ \$1.33	5	45	230	45	45	230	45	230
10	Lycos	17	78	1,323	78	78	1,323	78	1,323
11	Mail.com (held by AltaVista)	17	25	427	25	25	427	25	427
12	MarchFirst (USWeb)	2	15	24	15	15	24	15	24
13	MarchFirst warrants @ \$8.029	12	15	24	15	15	24	15	24
14	Marketing Services Group	12	15	24	15	15	24	15	24
15	Mother Nature	12	15	24	15	15	24	15	24
16	Mother Nature warrants @ \$2.31	43	56	2,416	56	56	2,416	56	2,416
17	Netentive, Inc.	11	42	470	42	42	470	42	470
18	Open Market	38	38	1,834	38	38	1,834	38	1,834
19	Pacific Century CyberWorks	34	38	1,240	38	38	1,240	38	1,240
20	Pocket.com	3	8,618	10,574	8,618	8,618	10,574	8,618	10,574
21	Venture (Chemdex)	3	57	182	57	57	182	57	182
22	Venture (Promdex shares)	21	32	688	32	32	688	32	688
23	Vicinity Corp.	16	27	435	27	27	435	27	435
at Public Holdings									
				Value	Value	Value	Value	Value	Value
				\$60	\$60	\$60	\$60	\$60	\$60
				60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
				48	48	48	48	48	48
				40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
				294	294	294	294	294	294
				2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
				75	75	75	75	75	75
				2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
				250	250	250	250	250	250
				5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
				200	200	200	200	200	200
				4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
				\$270	\$270	\$270	\$270	\$270	\$270
				6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
				Total IPO Candidate Holdings					
				Other Holdings					
				Total CMGI Holdings					
				Cash					
				Total CMGI Assets					
				CMGI Market Value					
				Price/Asset Value					
				Shares Outstanding					



Bulletin

United States
Internet/e-Commerce

14 June 2000

Henry Blodget
First Vice President
(1) 212 449-0773
Henry_Blodget@ml.com

Kirsten Campbell
Assistant Vice President
(1) 212 449-3113
Kirsten_Campbell@ml.com

CMGI

Strong Quarter; Still Liquid – Part 1

ACCUMULATE*

Reason for Report: Company Update

Long Term
BUY

Price: \$58

Estimates (Jul)	1999A	2000E	2001E
EPS:	NA	NA	NA
P/E:	NM	NM	NM
EPS Change (YoY):		NM	NM
Cash Flow/Share:	NA	NA	NA
Price/Cash Flow:	NM	NM	NM
Dividend Rate:	Nil	Nil	Nil
Dividend Yield:	Nil	Nil	Nil

Opinion & Financial Data

Investment Opinion:	D-2-1-9
Mkt. Value / Shares Outstanding (mn):	\$16,922.5 / 280
Book Value/Share (Jan-2000):	\$20.79
Price/Book Ratio:	2.9x
LT Liability % of Capital:	4.0%

Stock Data

52-Week Range:	\$163 1/2-\$33 1/8
Symbol / Exchange:	CMGI / OTC
Options:	None
Institutional Ownership-Spectrum:	21.0%
Brokers Covering (First Call):	8

ML Industry Weightings & Ratings**

Strategy; Weighting Rel. to Mkt.:	
Income:	Underweight (07-Mar-1995)
Growth:	Overweight (07-Mar-1995)
Income & Growth:	Overweight (07-Mar-1995)
Capital Appreciation:	In Line (28-Jan-1999)

Market Analysis; Technical Rating: Below Average (28-Mar-2000)

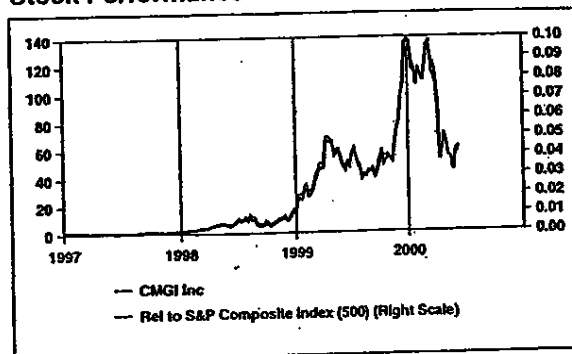
*Intermediate term opinion last changed on 20-Dec-1999.

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For full investment opinion definitions, see footnotes.

Investment Highlights:

- CMGI reported solid FQ300 results: strong revenue and traffic growth at its operating companies and initial or follow-on investments in 22 companies.
- Revenue from internet-segment operating companies increased 59% sequentially, as a result of both acquisitions and organic growth. Internet expenses, meanwhile, increased 39% seq., suggesting that the company is gaining leverage.
- Overall operating company revenue grew 47% sequentially to \$226mm. Including uBid, total revenue was \$310mm. CMGI expects the revenue in F2001 of \$2-2.5B.
- CMGI ended the quarter with \$517mm in cash and \$1.6 in marketable securities for total liquid assets of \$2.1B. At a current burn rate (including investments) of \$75mm a month, this liquidity will last 8-10 quarters. We expect CMGI to monetize additional holdings and to remain active in acquiring companies and making investments.
- CMGI tends to trade as a proxy for the Internet sector and IPO market. We believe CMGI will be volatile but trend higher long-term. We are maintaining our Accumulate/Buy rating and 12-18 month price objective of \$100 (2.5X NAV of about \$40 per share).

Stock Performance



RC#10116645

CMGI 0018

CMGI Inc - 14 June 2000



Summary: CMGI announced a solid 3QF00 last night, reporting strong revenue growth, 115 million page views per day at CMGI operating companies, 60% reach for the Engage network, 8 acquisitions and the formation of CMGion.

CMGI's operating companies are showing strong revenue growth, although it is hard to isolate organic growth from acquisitions. Internet segment revenue grew 59% sequentially to \$183mm from \$114 in 2Q, and up 1,623% year/year. This was due mostly January acquisitions of AdForce and Flycast (both acquired January), 3Q acquisitions of Tallan and yesmail.com, and organic revenue growth at Alta Vista, Engage, NaviPath, NaviSite, 1stUp.com and iCAST.

Fulfillment service revenue grew 13% sequentially to \$43mm from \$83mm last quarter, and 30% year/year, due to increased sales to Cisco Systems and ramp of up of sales through SalesLink's new facility in Mexico.

Total operating company revenue in 3QF00 grew 47% sequentially and 417% year/year to \$226mm. Including uBid, total revenue was about \$310 million. CMGI expects the revenue of its operating companies (including uBid) to grow 20-25% sequentially next quarter to about \$370 million, and to about \$2-2.5 billion in F2001. CMGI is also focusing more on profitability- AltaVista should turn positive in the next 2-3 quarters, and CMGI Solutions should turn a profit in 4QF00.

Operating Companies: The power of CMGI's network was highlighted in the quarter by the many intra-network acquisitions and merger: Engage buying Adsmart and Flycast, Altavista buying Raging Bull, NaviSite buying ClickHear, AdForce buying AdTech, and CMGI Solutions buying Tallan. Other deals in the quarter included the acquisitions of uBid and yesmail.com, and a loyalty program with Netcentives for the over CMGI network. The company expects the number of operating companies to consolidate from 17 down to about 10 over time. For instance, obvious synergies might include folding AdForce and yesmail.com into the Engage network.

New to the CMGI family this quarter was CMGion. The company will attempt to develop a new Internet operating network service designed to enhance the performance and functionality of the Internet by internetworking NaviSite's web hosting data centers in conjunction with leveraging Engage profiles, creating a "smart" network that is geographically, bandwidth and device aware. Co-founding partners include Compaq, Novell, and Sun providing investments of \$20 million each, and various technologies.

CMGion is expected to have a beta product in the early fall. Engage revenue increased 86% sequentially, to \$58 million in 3Q. The company now has 70 million anonymous profiles, up from 52 million last quarter, served 36.5 billion impressions versus 26.3 last quarter, and has over 4,300 contributing sites up from about 3,200 last quarter.

Yesmail.com has grown its registered users from 3.5 million in December to 11.5 million by quarter end, and is adding 57,000 new opt-in users per day from over 100 sites. We expect this to increase dramatically when yesmail.com ads Engage, AltaVista and uBid to its sites. CMGI said yesmail.com is obtaining CPM rates of over \$200.

AltaVista continues to lag other portal leaders, though it is showing solid growth with 42% sequential revenue growth, 100mm pageviews per day this past week, and a secure place in the top 10. With site now up in Italy, the UK, Germany, Sweden, France and the Netherlands, over 50% of AltaVista's unique users are international. This should bode well for them as international should outpace US internet user growth.

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Option Key (P-a-b-c): Investment Risk Rating (A - Low, B - Average, C - Above Average, D - High). Appreciation Potential Rating (a: Int. Term - 0-12 mo.; b: Long Term - >1 yr.); 1 - Buy, 2 - Accumulate, 3 - Neutral, 4 - Reduce, 5 - Sell, 6 - No Rating. Income Rating (c): 7 - Same/Highest, 8 - Same/Lower, 9 - No Cash Dividend.

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CMGI 0019



Bulletin

United States
Internet/e-Commerce

14 June 2000

Henry Blodget
First Vice President
(1) 212 449-0773
Henry_Blodget@ml.com

Kirsten Campbell
Assistant Vice President
(1) 212 449-3113
Kirsten_Campbell@ml.com

CMGI

Solid Quarter; Still Liquid Part 2

ACCUMULATE*

Reason for Report: Company Update

Long Term
BUY

Price: \$58

Estimates (Jul)	1999A	2000E	2001E
EPS:	NA	NA	NA
P/E:	NM	NM	NM
EPS Change (YoY):		NM	NM
Cash Flow/Share:	NA	NA	NA
Price/Cash Flow:	NM	NM	NM
Dividend Rate:	Nil	Nil	Nil
Dividend Yield:	Nil	Nil	Nil

Opinion & Financial Data

Investment Opinion:	D-2-1-9
Mkt. Value / Shares Outstanding (mn):	\$16,922.5 / 280
Book Value/Share (Jan-2000):	\$20.79
Price/Book Ratio:	2.9x
LT Liability % of Capital:	4.0%

Stock Data

52-Week Range:	\$163 1/2-\$33 1/8
Symbol / Exchange:	CMGI / OTC
Options:	None
Institutional Ownership-Spectrum:	21.0%
Brokers Covering (First Call):	8

ML Industry Weightings & Ratings**

Strategy; Weighting Rel. to Mkt.:	
Income:	Underweight (07-Mar-1995)
Growth:	Overweight (07-Mar-1995)
Income & Growth:	Overweight (07-Mar-1995)
Capital Appreciation:	In Line (28-Jan-1999)

Market Analysis; Technical Rating: Below Average (28-Mar-2000)

*Intermediate term opinion last changed on 20-Dec-1999.

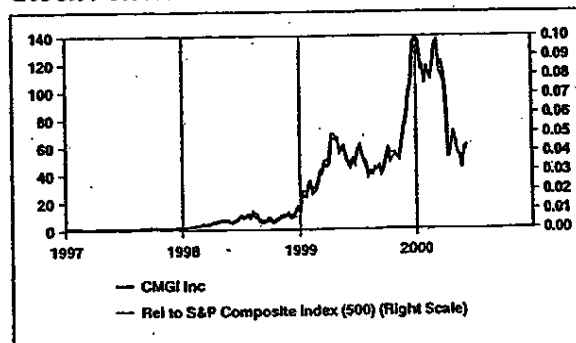
**The views expressed are those of the macro department and do not necessarily coincide with those of the Fundamental analyst.

For full investment opinion definitions, see footnotes.

Investment Highlights:

- CMGI reported solid FQ300 results: strong revenue and traffic growth at its operating companies and initial or follow-on investments in 22 companies.
- Revenue from internet-segment operating companies increased 59% sequentially, as a result of both acquisitions and organic growth. Internet expenses, meanwhile, increased 39% seq., suggesting that the company is gaining leverage.
- Overall operating company revenue grew 47% sequentially to \$226mm. Including uBid, total revenue was \$310mm. CMGI expects the revenue in F2001 of \$2-2.5B.
- CMGI ended the quarter with \$517mm in cash and \$1.6 in marketable securities for total liquid assets of \$2.1B. At a current burn rate (including investments) of \$75mm a month, this liquidity will last 8-10 quarters. We expect CMGI to monetize additional holdings and to remain active in acquiring companies and making investments.
- CMGI tends to trade as a proxy for the Internet sector and IPO market. We believe CMGI will be volatile but trend higher long-term. We are maintaining our Accumulate/Buy rating and 12-18 month price objective of \$100 (2.5X NAV of about \$40 per share).

Stock Performance



RL#10116648

CMGI 0020



CMGI Inc - 14 June 2000

CMGI@Ventures: CMGI@Ventures made investment in 10 new companies and 12 follow-on financings this quarter. The company indicated that it has been making investments in fewer companies, but taking larger stakes, and also shifting its investing criteria to companies with a clearer path to profitability. @Ventures also launched a \$1.5 billion Global Partners Fund with Hicks, Muse, Tate & Furst and Pacific Century CyberWorks. The fund will support the development of Internet companies based in Asia, Europe, and the Americas.

Liquidity. CMGI corporate ended the quarter with \$517mm in cash and marketable securities of \$1.6 billion. Total publicly traded holdings total about \$6.4 billion. At a current burn rate, including investments, of about \$75mm a month (\$225mm a quarter), this liquidity should support the company for 8-10 quarters. We expect the company to continue to monetize additional assets and raise additional cash. We expect CMGI to remain active in acquiring companies and making investments.

On the IPO front, we still expect IPOs within 12 months from operating companies such as AltaVista, CMGI Solutions, MyWay.com, and NaviPath. Other companies such as CMGion and IstUp.com will likely be slated for an IPO, though the timing is less certain.

Valuation. From a valuation standpoint, CMGI is an "asset play" and is correlated to the stock performance of its public holdings, partner companies and the IPO market. With the IPO window still shut, CMGI likely has few near term catalysts. However, other liquidity events such as the sale of half.com to eBay can help the stock. We do expect the IPO window to reopen some time in the fall. At that time, liquidity events such as an AltaVista IPO could act as a catalyst for the stock.

CMGI tends to trade as a proxy for the Internet sector and IPO market (i.e., when the sector gets hit, so does CMGI). Bottom line, CMGI is long the internet. However, as long as fundamentals of Internet usage and e-commerce look strong, we believe the top names, including CMGI, will recover. We believe CMGI will be volatile but trend higher long-term.

Valuing CMGI is difficult at best and futile at worst (estimated asset value plus option value leaves plenty of room for subjectivity). CMGI is highly volatile and with a market cap of \$19 billion (1.7X estimated net asset value), it is certainly not cheap. We believe, however, that CMGI will increase its NAV as the public market for Internet companies slowly recovers.

We rate CMGI Accumulate/Buy with a 12-18 month price objective of \$100, or 2.5X est. net asset value (NAV) of about \$40 per share.

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Opinion Key (A-E-F): Investment Risk Rating (A): A - Low, B - Average, C - Above Average, D - High, Appreciation Potential Rating (a-f): 1 - Buy, 2 - Accumulate, 3 - Neutral, 4 - Reduce, 5 - Sell, 6 - No Rating. Income Rating (1-7): 1 - Same/Higher, 2 - Same/Lower, 3 - No Cash Dividend.

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Bulletin

United States
Internet/e-Commerce

21 July 2000

Henry Blodget
First Vice President
(1) 212 449-0773
Henry_Blodget@ml.com

Kirsten Campbell
Assistant Vice President
(1) 212 449-3113
Kirsten_Campbell@ml.com

CMGI

F4Q Preview

ACCUMULATE*

Reason for Report: Company Update

Long Term
BUY

Price: \$45

12 Month Price Objective:

Estimates (Jul)	1999A	2000E	2001E
EPS:	NA	NA	NA
P/E:	NM	NM	NM
EPS Change (YoY):		NM	NM
Consensus EPS:		\$-4.72	\$-3.86
(First Call: 08-Jun-2000)			
Cash Flow/Share:	NA	NA	NA
Price/Cash Flow:	NM	NM	NM
Dividend Rate:	Nil	Nil	Nil
Dividend Yield:	Nil	Nil	Nil

Opinion & Financial Data

Investment Opinion:	D-2-I-9
Mkt. Value / Shares Outstanding (mm):	\$12,600 / 280
Book Value/Share (Jan-2000):	\$20.79
Price/Book Ratio:	2.9x
ROE 2000E Average:	NA
LT Liability % of Capital:	4.0%
Est. 5 Year EPS Growth:	NA

Stock Data

52-Week Range:	\$163 1/2-\$33 1/8
Symbol / Exchange:	CMGI / OTC
Options:	None
Institutional Ownership-Spectrum:	21.0%
Brokers Covering (First Call):	8

ML Industry Weightings & Ratings**

Strategy; Weighting Rel. to Mkt.:	
Income:	Underweight (07-Mar-1995)
Growth:	Overweight (07-Mar-1995)
Income & Growth:	Overweight (07-Mar-1995)
Capital Appreciation:	In Line (28-Jan-1999)

Market Analysis; Technical Rating: Below Average (28-Mar-2000)

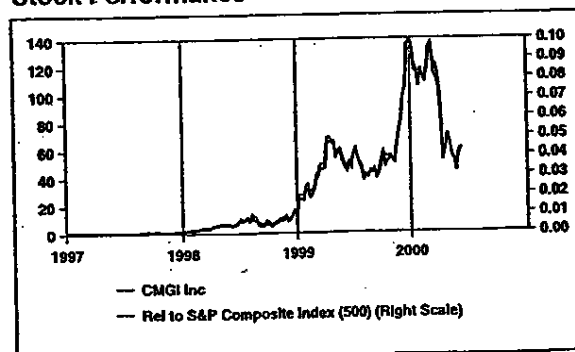
*Intermediate term opinion last changed on 20-Dec-1999.

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For full investment opinion definitions, see footnotes.

Investment Highlights:

- CMGI (Accumulate/Buy rating) previewed its expected results for its F4Q00 ending July yesterday, indicating everything is on track.
- The company said its rate of investments had slowed due to both the market conditions and also that it is focusing more on enabling technologies now. CMGI expects the rate to tick back up in the fall.
- CMGI continues to expect the revenue of its operating companies (including uBid) to show 20% organic growth sequentially next quarter to about \$370 million, and to about \$2-2.5 billion in F2001.
- CMGI Solutions turned profitable this quarter as planned, and AltaVista should turn positive in the next 2-3 quarters. AltaVista fall IPO still expected. CMGI Solutions IPO expected "sooner rather than later."
- CMGI corporate currently has about \$369mm in cash, down from \$517mm at 3Q end. Total publicly traded holdings total about \$6.4 billion.
- Advertising CPM rates seen falling.
- Ubid selling 1,000 PCs devices per day (about 0.5% of the PC market).

Stock Performance



RC#10156933

CMGI 0022



CMGI Inc - 21 July 2000

- CMGI (Accumulate/Buy rating) previewed its expected results for its F4Q00 ending July yesterday, indicating everything is on track. The company will not report actual results until Sept 21st.
- The company said its rate of investments had slowed due to both the market conditions with private valuations lagging public ones, and also due to the fact that it is focusing more on enabling technologies now, which has longer sales cycles and there are simply fewer of them. CMGI expects the rate to tick back up in the fall.
- CMGI will begin to break down its operating companies into 4 segments: 1) Ecommerce and fulfillment (Saleslink and uBid), 2) Marketing and services (Engage, Adforce, and yesmail), 3) Content and communities (AltaVista, MyWay.com and iCast), and 4) Enabling technologies (Activate, Exchange Path, Tribalvoice, CMGI Solutions, Equilibrium, Istup.com, CMGion, Navisite, and Navipath). The company expects the number of operating companies to consolidate from 17 down to about 10 over time. For instance, obvious synergies might include folding AdForce and yesmail.com into Engage.
- CMGI continues to expect the revenue of its operating companies (including uBid) to show grow 20% organic growth sequentially next quarter to about \$370 million, and to about \$2-2.5 billion in F2001.
- The company said it is moving toward operating profitability for its subsidiaries, even with new initiatives such as CMGion. CMGI Solutions turned profitable this quarter as planned, an AltaVista should turn positive in the next 2-3 quarters.

• CMGI corporate currently has about \$369mm in cash, down from \$517mm at 3Q end. Total publicly traded holdings total about \$6.4 billion.

■ Operating Company Highlights

uBid.

- Selling 1,000 PCs and 2,000 PC-related devices per day (about 0.5% of the PC market)
- This quarter as much as 40% of buying could come from businesses up from 20% last quarter, due to uBids low prices due to their ability to buy in bulk.
- Having \$2mm days, up from \$1mm days when bought uBid this spring.
- Will set up distribution center in Memphis near FedEx.

Engage

- 3,800 sites in network, collecting clicks from 5,000
- 70mm active profiles, up from 52mm last quarter
- Growing demand for profile driven ads.
- Has seen a slow down in ad sales, but doing very well on

higher margin software sales.

Yesmail.com

- 12mm subscribers- 57,000 new subs per day. The company expects this to increase to about 100,000 per day as AltaVista is now incorporating yesmail across its site.
- CPM rates are slowing- peaked at \$213, now \$190. The company expects this trend will continue but that pricing elasticity will broaden demand.

AltaVista.

- Fall IPO still expected unless the company were to do an acquisition, but would only do one if accelerated AltaVista's path to profitability
- B2B search business has passed Lycos and Excite and is second now only to Yahoo in search referrals.
- #1 or #3 in shopping portal now, according to Neilson Net Ratings and Media Metrix, respectively (up from #23 or so in January).

iCast

- Launched the latest version of its site today.
- Successful Land Your Band contest/promotion with Infinity Broadcasting radio stations.

CMGI Solutions.

- Currently profitable. Annualized sales runrate is \$120mm.
- Plans to do IPO "sooner rather than later."

Navisite.

- Had a setback this quarter as some customers filed Chapter 11, but still had strong revenue growth.

Istup

- Over 3mm downloads.
- Continuing declines in cost per hour of running service- now in low 20 cents/hour from high 30's when it was acquired by CMGI. The company believes it can get to the teens.
- Hasn't seen dramatic increase in sales yet as they just turned on the Engage profiles, but they don't have an internal sales force yet. The company thinks it will be able to get higher CPMs with profile driven ads.

CMGion.

- Will have a plan next week to show to telcos. CMGion will attempt to develop a new Internet operating network service designed to enhance the performance and functionality of the Internet by internetworking Navisite's web hosting data centers in conjunction with leveraging Engage profiles, creating a "smart" network that is geographically, bandwidth and device aware. Co-founding partners include Compaq, Novell, and Sun providing investments of \$20 million each, and various technologies, with more partners expected. CMGion is expected to have a beta product in the early fall.

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Bulletin

United States
Internet/e-Commerce

7 August 2000

Henry Blodget
212-449-0773
henry_blodget@ml.com

Internet Sector

Reset of Sector Ratings

Reason for Report: Sector Update

Industry

Investment Highlights:

- We are resetting the investment ratings for our internet universe. The purpose of the reset is not to make a new "call" on the direction of the group but to provide a more precise differentiation of our current opinions (by using a wider range of ratings).
- Our view of the industry fundamentals remains consistent with what we have been saying for the past year: we believe we have entered a more mature phase of industry development, in which sector growth opportunities are easier to quantify; capital is scarcer; analytical and valuation discipline have again become critical for successful stock picking; and the tide is no longer rising fast enough to lift all boats (Q2 results provided increasing confirmation of this).
- As we have said, we continue to believe many sectors of the industry are transitioning from hyper-growth to long-term growth, and that this transition, combined with a substantial increase in competition, likely will continue to cause a shakeout and consolidation. We continue to believe that 75% of the current crop of public internet companies will merge or disappear over the next few years.
- In our June 7th report, *After the Fall: The Outlook for the Consumer Internet Industry*, we argued that the going will likely be tough for even the best internet stocks for the next year or two, as the companies must grow into their valuations. We continue to believe this, although we would note that the extent of the recent pullback has made the valuations of certain companies look increasingly attractive.
- We believe that sector volatility will continue (i.e., that we will continue to see, to some extent, continued seasonal strength and weakness in trading levels). The timing of this reset relative to the current stock prices is, again, not a prediction of further weakness. In fact, we believe that many of the stronger stocks may be near seasonal bottoms.
- The primary goal of our research remains to provide an analytical framework to help investors evaluate the particular investment opportunities within the internet sector. Our ratings are not intended to represent short-term forecasts of stock direction (given the inherent volatility in the sector) but to provide a qualitative assessment of a company's business fundamentals and potential over the intermediate and longer term.

Internet Sector - 7 August 2000



Ratings Reset. Please see our comment for additional commentary on our ratings reset. Ratings for our coverage universe, in alphabetical order, are as follows:

- 24/7 Media (TFSM; \$11 7/16): was D-1-1-9, now D-2-2-9.
- Amazon (AMZN; \$32 1/2): remains D-2-1-9.
- AOL (AOL; \$52 3/4): remains D-1-1-9.
- Barnesandnoble.com (BNBN; \$3 3/4): was D-2-1-9, now D-3-1-9.
- Bottomline Technologies (EPAY; \$26 5/8): remains D-2-1-9.
- Buy.com (BUYX; \$3 21/32): was D-1-1-9, now D-2-2-9.
- CMGI (CMGI; \$37): remains D-2-1-9.
- DoubleClick (DCLK; \$35 3/16): was D-1-1-9, now D-2-1-9.
- EarthWeb (EWBX; \$14 1/4): remains D-2-1-9.
- eBay (EBAY; \$50 3/4): was D-1-1-9, now D-2-1-9.
- eToys (ETYS; \$4 1/2): was D-2-1-9, now D-3-2-9.
- Excite@Home (ATHM; \$14 3/8): remains D-2-2-9.
- Freemartek (FMKT; \$51 11/16): remains D-1-1-9.
- Homestore (HOMS; \$30 5/8): remains D-1-1-9.
- Infospace (INSP; \$29 13/16): remains D-1-1-9.
- Inktomi (INKT; \$101 3/4): remains D-1-1-9.
- Internet Capital Group (ICGE; \$32 5/8): remains D-2-1-9.
- iVillage (IVIL; \$6 7/16): was D-2-1-9, now D-2-2-9.
- Looksmart (LOOK; \$18 3/16): remains D-2-1-9.
- Multex (MLTX; \$23 1/2): remains D-2-1-9.
- MyPoints (MYPT; \$14): remains D-1-1-9.
- Pets.com (IPET; \$1 9/32): was D-1-1-9, now D-2-2-9.
- Priceline (PCLN; \$24 1/4): remains D-2-1-9.
- Quokka (QKKA; \$7): was D-2-1-9, now D-2-2-9.
- Real Networks (RNWK; \$40): remains D-2-1-9.
- Safeguard Scientifics (SFE; \$28 15/16): was D-1-1-9, now D-2-1-9.
- VerticalNet (VERT; \$44 1/2): remains D-2-1-9.
- Yahoo! (YHOO; \$133 15/16): remains D-1-1-9.
- Webvan (WBVN; \$5): was D-2-1-9, now D-2-2-9.

Ratings Criteria. Most of the stocks at each rating have the following characteristics (we have made exceptions in some cases, with the reasons stated):

Buy/Buy (1-1):

- Dominant leader with a clean story in a sector with strong growth prospects.

- Profitable or on a clear path to profitability within 2-3 quarters (in the more mature sectors).
- Strong cash position: enough to reach profitability with plenty left over for discretionary investment.
- Valuation attractive, or at least justifiable, on a multiple of visible earnings or cash flow ("expensive" is okay, if fundamentals remain strong).
- Stock that we believe has a high likelihood of appreciating more than 20% within a year.
- High level of conviction about sector, company, management, and stock.

Accumulate/Buy (2-1):

- Strong company with good growth prospects in a promising sector, or dominant sector leader with issues that we expect to be resolved.
- Profitable or on a clear path to profitability within the next 12-18 months (again, in the more mature sectors).
- Solid near-term cash position—enough to reach profitability.
- Valuation justifiable on a multiple of visible earnings or cash flow, or too expensive to be a 1-1.
- Stock that we believe has a high likelihood of appreciating more than 20% in 1-2 years.
- Comfortable with sector, company, management, and stock.

Accumulate (2-2):

- Good growth prospects
- Improving financial performance
- Valuation justifiable
- Some uncertainties or reservations remain

Neutral/Buy (3-1):

- Significant issues relating to intermediate-term outlook
- A business model which we believe fundamentally "works"
- Long-term should be okay.

Neutral (3-2):

- Challenging sector, or growth rate less than sector growth rate
- Not yet clear when able to turn profitable
- Needs additional cash to turn profitable
- Significant uncertainties or reservations remain

ETYS, ENBX, ATHM, MLFES or one of its affiliates was a manager of the most recent offering of securities of this company within the last three years. TFSM, BNBN, BUYX, EBAY, ML, IPET, QKKA, SFE, DCLK, WBVN, AOL, HOMS, INKT, ICGE, MYPT, PCLN, MLFES was a manager of the most recent public offering of securities of this company within the last three years.

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Option Key (1-4-2): Investment Rating: A - Low, B - Average, C - Above Average, D - High; Appreciation Potential Rating (1-4-2): Long Term - >1 yr.; 1 - Buy, 2 - Accumulate, 3 - Neutral, 4 - Reservations.

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Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report. In addition, investors in securities such as ADRs, whose values are influenced by the currency of the underlying security, effectively assume currency risk.



Bulletin

United States

7 August 2000

Investor Support

Morning Notes Summary

Part 2

Research Summary

Economics

- The soft-landing scenario is playing as scripted.
- Consumer spending is slowing as the Fed wants, yet productivity-enhancing capital spending remains extremely strong.
- Crucially, labor market strains are easing, with private payrolls up a modest 138,000 for July and the unemployment rate remaining at 4%.
- The Fed will almost certainly be on hold at the August 22 FOMC meeting, and we expect it to be on hold thereafter.

(B. Steinberg)

Internet Sector

- We are resetting the investment ratings for our internet universe. The purpose of the reset is not to make a new "call" on the direction of the group but to provide a more precise differentiation of our current opinions (by using a wider range of ratings).
- Our view of the industry fundamentals remains consistent with what we have been saying for the past year: we believe we have entered a more mature phase of industry development, in which sector growth opportunities are easier to quantify; capital is scarcer; analytical and valuation discipline have again become critical for successful stock picking; and the tide is no longer rising fast enough to lift all boats (Q2 results provided increasing confirmation of this).
- As we have said, we continue to believe many sectors of the industry are transitioning from hyper-growth to long-term growth, and that this transition, combined with a substantial increase in competition, likely will continue to cause a shakeout and consolidation. We continue to believe that 75% of the current crop of public internet companies will merge or disappear over the next few years.
- In our June 7th report, *After the Fall: The Outlook for the Consumer Internet Industry*, we argued that the going will likely be tough for even the best internet stocks for the next year or two, as the companies must grow into their valuations. We continue to believe this, although we would note that the extent of the recent pullback has made the valuations of certain companies look increasingly attractive.
- We believe that sector volatility will continue (i.e., that we will continue to see, to some extent, continued seasonal strength and weakness in trading levels). The timing of this reset relative to the current stock prices is, again, not a prediction of further weakness. In fact, we believe that many of the stronger stocks may be near seasonal bottoms.
- The primary goal of our research remains to provide an analytical framework to help investors evaluate the particular investment opportunities within the internet sector. Our ratings are not intended to represent short-term forecasts of stock direction (given the inherent volatility in the sector) but to provide a qualitative assessment of a company's business fundamentals and potential over the intermediate and longer term.

Merrill Lynch & Co.
Global Securities Research & Economics Group
Global Fundamental Equity Research Department

RC#11222011

CMGI 0026



Morning Notes Summary – 7 August 2000

Ratings Reset. Please see our comment for additional commentary on our ratings reset. Ratings for our coverage universe, in alphabetical order, are as follows:

- 24/7 Media (TFSM; \$11 7/16): was D-1-1-9, now D-2-2-9.
- Amazon (AMZN; \$32 1/2): remains D-2-1-9.
- AOL (AOL; \$52 3/4): remains D-1-1-9.
- Barnesandnoble.com (BNBN; \$3 3/4): was D-2-1-9, now D-3-1-9.
- Bottomline Technologies (EPAY; \$26 5/8): remains D-2-1-9.
- Buy.com (BUYX; \$3 21/32): was D-1-1-9, now D-2-2-9.
- CMGI (CMGI; \$37): remains D-2-1-9.
- DoubleClick (DCLK; \$35 3/16): was D-1-1-9, now D-2-1-9.
- EarthWeb (EWBX; \$14 1/4): remains D-2-1-9.
- eBay (EBAY; \$50 3/4): was D-1-1-9, now D-2-1-9.
- eToys (ETYS; \$4 1/4): was D-2-1-9, now D-3-2-9.
- Excite@Home (ATHM; \$14 3/8): remains D-2-2-9.
- Freemartek (FMKT; \$51 11/16): remains D-1-1-9.
- Homestore (HOMS; \$30 5/8): remains D-1-1-9.
- Infospace (INSP; \$29 13/16): remains D-1-1-9.
- Inktomi (INKT; \$101 3/4): remains D-1-1-9.
- Internet Capital Group (ICGE; \$32 5/8): remains D-2-1-9.
- iVillage (IVIL; \$6 7/16): was D-2-1-9, now D-2-2-9.
- Looksmart (LOOK; \$18 3/16): remains D-2-1-9.
- Multex (MLTX; \$23 1/2): remains D-2-1-9.
- MyPoints (MYPT; \$14): remains D-1-1-9.
- Pets.com (IPET; \$1 9/32): was D-1-1-9, now D-2-2-9.
- Priceline (PCLN; \$24 1/4): remains D-2-1-9.
- Quokka (OKKA; \$7): was D-2-1-9, now D-2-2-9.
- Real Networks (RNWK; \$40): remains D-2-1-9.

- Safeguard Scientifics (SFE; \$28 15/16): was D-1-1-9, now D-2-1-9.
 - VerticalNet (VERT; \$44 1/2): remains D-2-1-9.
 - Yahoo! (YHOO; \$133 15/16): remains D-1-1-9.
 - Webvan (WBVN; \$5): was D-2-1-9, now D-2-2-9.
- (H. Blodgett)

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Opinion Key (1-4-5-6): Investment Risk Rating (1-5): A - Low, B - Average, C - Above Average, D - High. Appreciation Potential Rating (1-5): 1 - Buy, 2 - Accumulate, 3 - Hold, 4 - Sell, 5 - No Rating. Income Rating (1-5): 1 - Small Capital, 2 - Small Capital, 3 - Small Capital, 4 - No Cash Dividend.

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Bulletin

United States

7 August 2000

Morning Notes Summary

Part 2

Rsch. Summary

Internet Sector

Reset of Sector Ratings (Bulletin Available)

- We are resetting the investment ratings for our internet universe. The purpose of the reset is not to make a new "call" on the direction of the group but to provide a more precise differentiation of our current opinions (by using a wider range of ratings).
- Our view of the industry fundamentals remains consistent with what we have been saying for the past year: we believe we have entered a more mature phase of industry development, in which sector growth opportunities are easier to quantify; capital is scarcer; analytical and valuation discipline have again become critical for successful stock picking; and the tide is no longer rising fast enough to lift all boats (Q2 results provided increasing confirmation of this).
- As we have said, we continue to believe many sectors of the industry are transitioning from hyper-growth to long-term growth, and that this transition, combined with a substantial increase in competition, likely will continue to cause a shakeout and consolidation. We continue to believe that 75% of the current crop of public internet companies will merge or disappear over the next few years.
- In our June 7th report, *After the Fall: The Outlook for the Consumer Internet Industry*, we argued that the going will likely be tough for even the best internet stocks for the next year or two, as the companies must grow into their valuations. We continue to believe this, although we would note that the extent of the recent pullback has made the valuations of certain companies look increasingly attractive.
- We believe that sector volatility will continue (i.e., that we will continue to see, to some extent, continued seasonal strength and weakness in trading levels). The timing of this reset relative to the current stock prices is, again, not a prediction of further weakness. In fact, we believe that many of the stronger stocks may be near seasonal bottoms.
- The primary goal of our research remains to provide an analytical framework to help investors evaluate the particular investment opportunities within the internet sector. Our ratings are not intended to represent short-term forecasts of stock direction (given the inherent volatility in the sector) but to provide a qualitative assessment of a company's business fundamentals and potential over the intermediate and longer term.
- Please see our Bulletin and Comment for details on the rating changes.

(H. Blodget)

Merrill Lynch & Co.
Global Securities Research & Economics Group
Global Fundamental Equity Research Department

RC#11223009

CMGI 0028

Morning Notes Summary – 7 August 2000



Option Key (D-a-b-c): Investment Risk Rating (A - Low, B - Average, C - Above Average, D - High, Appreciation Potential Rating (a: Int. Term - 0-12 mo.; b: Long Term - >1 yr.); 1 - Buy, 2 - Accumulate, 3 - Hold, 4 - Reduce, 5 - Sell, 6 - No Rating, Inverse Rating (C - Strongly Buy, 6 - Strongly Sell). All rights reserved. Any unauthorized use or disclosure is prohibited. This report has been prepared and issued by MLPFS and/or one of its affiliates and has been approved for publication in the United Kingdom by Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPFS), which is regulated by SFA; has been considered and distributed in Australia by Merrill Lynch Securities (Australia) Limited (MCH 005 276 719), a licensed securities dealer under the Australian Corporations Law; is distributed in Hong Kong by Merrill Lynch (Asia Pacific) Ltd, which is regulated by the Hong Kong SFC; and is distributed in Singapore by Merrill Lynch International Bank Ltd (Merchant Bank) and Merrill Lynch (Singapore) Pte Ltd, which are regulated by the Monetary Authority of Singapore. The information herein was obtained from various sources; we do not guarantee its accuracy or completeness. Additional information available.

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Comment

United States
Internet/e-Commerce

7 August 2000

Henry Blodget
212-449-0773
henry_blodget@ml.com

Internet Sector

Reset of Sector Ratings

Reason for Report: Sector Update

Industry

Investment Highlights:

- We are resetting the investment ratings for our internet universe. The purpose of the reset is not to make a new "call" on the direction of the group but to provide a more precise differentiation of our current opinions (by using a wider range of ratings).
- Our view of the industry fundamentals remains consistent with what we have been saying for the past year: we believe we have entered a more mature phase of industry development, in which sector growth opportunities are easier to quantify; capital is scarcer; analytical and valuation discipline have again become critical for successful stock picking; and the tide is no longer rising fast enough to lift all boats (Q2 results provided increasing confirmation of this).
- As we have said, we continue to believe many sectors of the industry are transitioning from hyper-growth to long-term growth, and that this transition, combined with a substantial increase in competition, likely will continue to cause a shakeout and consolidation. We continue to believe that 75% of the current crop of public internet companies will merge or disappear over the next few years.
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- The primary goal of our research remains to provide an analytical framework to help investors evaluate the particular investment opportunities within the internet sector. Our ratings are not intended to represent short-term forecasts of stock direction (given the inherent volatility in the sector) but to provide a qualitative assessment of a company's business fundamentals and potential over the intermediate and longer term.

Internet Sector – 7 August 2000



Merrill Lynch Internet Sector Ratings

Company	Ticker	Price	Rating	
			Prior	New
24/7 Media	TFSM	\$11 7/16	D-1-1-9	D-2-2-9
Amazon.com	AMZN	\$32 1/2	D-2-1-9	NC
AOL	AOL	\$52 3/4	D-1-1-9	NC
Barnesandnoble.com	BNBN	\$3 3/4	D-2-1-9	D-3-1-9
Bottomline Technologies	EPAY	\$26 5/8	D-2-1-9	NC
Buy.com	BUYX	\$3 21/32	D-1-1-9	D-2-2-9
CMGI	CMGI	\$37	D-2-1-9	NC
DoubleClick	DCLK	\$35 3/16	D-1-1-9	D-2-1-9
EarthWeb	EWBX	\$14 1/4	D-2-1-9	NC
eBay	EBAY	\$50 3/4	D-1-1-9	D-2-1-9
eToys	ETYS	\$4 1/4	D-2-1-9	D-3-2-9
Excite@Home	ATHM	\$14 3/8	D-2-2-9	NC
Freemarkets	FMKT	\$51 11/16	D-1-1-9	NC
Homesite.com	HOMS	\$30 5/8	D-1-1-9	NC
Infospace	INSP	\$29 13/16	D-1-1-9	NC
Inkomi	INKT	\$101 3/4	D-1-1-9	NC
Internet Capital Group	ICGE	\$32 5/8	D-2-1-9	NC
Nillage	IVIL	\$6 7/16	D-2-1-9	D-2-2-9
Looksmart	LOOK	\$18 3/16	D-2-1-9	NC
Multex	MLTX	\$23 1/2	D-2-1-9	NC
MyPoints	MYPT	\$14	D-1-1-9	NC
Pets.com	IPET	\$1 9/32	D-1-1-9	D-2-2-9
Priceline	PCLN	\$24 1/4	D-2-1-9	NC
Quokka	QKKA	\$7	D-2-1-9	D-2-2-9
Real Networks	RNWK	\$40	D-2-1-9	NC
Safeguard Scientifics	SFE	\$28 15/16	D-1-1-9	D-2-1-9
VerticalNet	VERT	\$44 1/2	D-2-1-9	NC
Yahoo!	YHOO	\$133 15/16	D-1-1-9	NC
Webvan	WBVN	\$5	D-2-1-9	D-2-2-9

Source: Merrill Lynch equity research.
NC = No Change

(Continued)



Internet Sector - 7 August 2000

Merrill Lynch Internet Sector Ratings

Company	Comment
24/7 Media	2nd/3rd player in advertising services market. Core ad network business highly exposed to spending by dot-coms. Profitability possible, though not clear, before YE 2001. May require additional funding. Integration risk associated with 4 acquisitions this year.
Amazon.com	Leader in consumer e-commerce. Moving toward profitability. Need visibility into long-term profitability and growth rate.
AOL	Most stable stock in an unstable sector. Valuation looks attractive. No major catalysts likely until TWX merger closes.
Barnesandnoble.com	Strong no. 2 to AMZN in the most attractive e-tailing sector, books. Gaining market share, sufficient cash for breakeven. Q2 results missed all metrics; lowered estimates going forward. Limited visibility on steady state growth rate.
Bottomline Technologies	Solid, mature, and profitable corporate payments software business. Nascent NetTransact business has secured big customer wins. NetTransact business provides "call option" on B2B electronic bill presentation and payments business.
Buy.com	Weak Q2 revenue led to reduced growth estimates. Strong margin improvement, however. Sufficient cash for breakeven in Q2 2002.
CMGI	Diversified Internet investment and operating company. Should trade with sector. Issue is whether stretched too broadly.
DoubleClick	Dominant sector leader in advertising services with strong ASP-based technology business. Profitable with sizeable cash position. Media business exposed to spot Internet ad market and upside from online data business less clear. Still possibly exposed to privacy concerns.
EarthWeb	Nearing profitability. Valuation looks reasonable at 16x our 2002 EPS estimate.
eBay	Sector leader, profitable, consistent. Not clear whether enough upside to estimates to drive multiple expansion.
eToys	Sitl leader in children's products. Challenging segment as a result of extreme seasonality and high fulfillment costs. Solid Q2. 9-12 months of cash, then needs additional funding. Profits not expected until late 2002 and still expensive on projected EPS basis.
Excite@Home	Business plan remains in flux. Value in network and broadband expertise, but narrowband media business weakening.
Freemarkets	More traction than any other B2B transaction platform; sufficient cash for breakeven in Q2 2002. Upside to estimates likely. Good revenue visibility. Competition will emerge, but company has significant lead. Price volatility despite consistency of fundamentals.
Homestore.com	Sector leader, about to turn profitable. Expect strong sequential growth to continue. Upside to estimates. Valuation looks reasonable.
Infospace	Infrastructure services across PC, wireless, and broadband. Issue is integration risk and speed of wireless roll-out. High risk.
Intitoni	Leader in network caching software. Expect strong sequential license growth to continue. Upside to estimates. High risk.
Internet Capital Group	"Portfolio approach" for B2B investors. Not inexpensive at approximately 2X our NAV estimate. Lock-up issue has subsided. Cash burn slowing. Likely to need financing over next year; several financing options. Tied to performance of IPO and B2B markets.
Village	Improving financial performance. Competitive segment. Key question is size of revenue and profit opportunity.
Looksmart	Leading directory services provider. Solid growth, leveraged model. Attractive valuation.
Multex	Attractive valuation, at 32x our 2002 cash EPS estimate.
MyPoints	Recently upgraded. Approaching profitability, strong cash position. Incorporating Cybergold acquisition should help drive revenues and profitability. Attractive valuation.
Pets.com	Executing well, but sector out of favor. Needs at least \$100 million to turn profitable and must raise capital within 6 mos. No profits until 2003.
Priceline	Sector leader, about to turn profitable. Probably some upside to EPS estimates. Issue is dependence on airline ticket business.
Quokka	Strong business metrics and revenue growth. Remains a development-stage business however. Profitability 2 years out. Requires at least \$100mm in additional capital, by our current estimates.
Real Networks	Sector leader. Transitioning from license to media model.
Salguard Scientifics	"Portfolio approach" for infrastructure investors. Performance tied to IPO and infrastructure market.
VerticalNet	Diversified B2B play. Profitability expected in Q2 2002; plenty of cash to get there. Must execute multi-faceted strategy, develop e-commerce revenues, and integrate numerous acquisitions. Expensive.
Yahoo!	Global leader with powerful financial model and excellent long-term growth prospects. Consistently exceeds estimates. Price volatility despite consistency of fundamentals.
Webvan	Good management, potentially large opportunity. Capital intensive. Aggressive roll-out schedule with execution risk (San Fran, DC not yet performing to plan) and integration risk (HomeGrocer). Needs \$300mm to reach targeted 15 markets by July of 2001. Still expensive.

Source: Merrill Lynch equity research.

Internet Sector — 7 August 2000



Ratings Criteria

Most of the stocks at each rating have the following characteristics (we have made exceptions in some cases, with the reasons stated):

Buy/Buy (1-1):

- Dominant leader with a clean story in a sector with strong growth prospects.
- Profitable or on a clear path to profitability within 2-3 quarters (in the more mature sectors).
- Strong cash position: enough to reach profitability with plenty left over for discretionary investment.
- Valuation attractive, or at least justifiable, on a multiple of visible earnings or cash flow ("expensive" is okay, if fundamentals remain strong).
- Stock that we believe has a high likelihood of appreciating more than 20% within a year.
- High level of conviction about sector, company, management, and stock.

Accumulate/Buy (2-1):

- Strong company with good growth prospects in a promising sector, or dominant sector leader with issues that we expect to be resolved.
- Profitable or on a clear path to profitability within the next 12-18 months (again, in the more mature sectors).
- Solid near-term cash position—enough to reach profitability.
- Valuation justifiable on a multiple of visible earnings or cash flow, or too expensive to be a 1-1.
- Stock that we believe has a high likelihood of appreciating more than 20% in 1-2 years.
- Comfortable with sector, company, management, and stock.

Accumulate (2-2):

- Good growth prospects
- Improving financial performance
- Valuation justifiable
- Some uncertainties or reservations remain

Neutral/Buy (3-1):

- Significant issues relating to intermediate-term outlook
- A business model which we believe fundamentally "works"
- Long-term should be okay.

Neutral (3-2):

- Challenging sector, or growth rate less than sector growth rate
- Not yet clear when able to turn profitable
- Needs additional cash to turn profitable
- Significant uncertainties or reservations remain

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 Opinion Key (1-5): 1 - Investment Risk Rating; 2 - Same; 3 - Above Average; 4 - High. Appreciation Potential Rating (at 1st Term - 0-12 mo; 2 - Long Term - >1 yr): 1 - Buy, 2 - Accumulate, 3 - Neutral, 4 - Hold, 5 - Sell, 6 - No Rating. Income Rating: 1 - Same; 2 - Above Average; 3 - Same; 4 - Below Average; 5 - No Cash Dividend.
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Bulletin

United States
Internet/e-Commerce

24 August 2000

Henry Blodget
First Vice President
(1) 212 449-0773Kirsten Campbell
Assistant Vice President
(1) 212 449-3113

CMGI Inc

Touchdown

ACCUMULATE*

Reason for Report: CMGI and the New England Patriots

Long Term
BUY

Price: \$42 3/8

12 Month Price Objective:

Estimates (Jul)	1999A	2000E	2001E
EPS:	NA	NA	NA
P/E:	NM	NM	NM
EPS Change (YoY):		NM	NM
Consensus EPS:		D\$4.90	D\$5.23
(First Call: 21-Aug-2000)			
Cash Flow/Share:	NA	NA	NA
Price/Cash Flow:	NM	NM	NM
Dividend Rate:	Nil	Nil	Nil
Dividend Yield:	Nil	Nil	Nil

Opinion & Financial Data

Investment Opinion:	D-2-1-9
Mkt. Value / Shares Outstanding (mn):	\$11,392.5 / 280.
Book Value/Share (Jan-2000):	\$20.79
Price/Book Ratio:	2.0x
ROE 2000E Average:	NA
LT Liability % of Capital:	4.0%
Est. 5 Year EPS Growth:	NA

Stock Data

52-Week Range:	\$163 1/2-\$33 1/8
Symbol / Exchange:	CMGI / OTC
Options:	None
Institutional Ownership-Spectrum:	15.7%
Brokers Covering (First Call):	8

ML Industry Weightings & Ratings**

Strategy; Weighting Rel. to Mkt.:	
Income:	Underweight (07-Mar-1995)
Growth:	Overweight (07-Mar-1995)
Income & Growth:	Overweight (07-Mar-1995)
Capital Appreciation:	In Line (28-Jan-1999)

Market Analysis; Technical Rating: Below Average (28-Mar-2000)

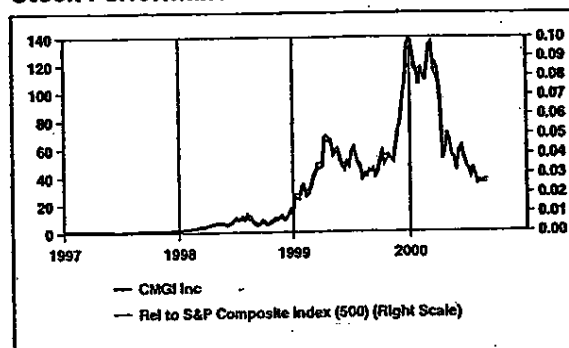
*Intermediate term opinion last changed on 20-Dec-1999.

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For full investment opinion definitions, see footnotes.

Investment Highlights:

- CMGI (Accumulate/Buy) and the New England Patriots today announced CMGI will purchase the naming rights for the new Patriots Stadium. "CMGI Field" is expected to open in 2002.
- CMGI will pay \$7.6mm/year for 15 years, with CPI adjustments in the last five years. CMGI will also receive additional promotional rights. In addition, CMGI operating companies will become preferred technology partners for the Patriots and New England Revolution (soccer).
- According to CMGI, the media market reach of the Patriots is 3rd in the US, and is expected to generate more than 2.6B impressions/yr for CMGI Field. Recent comparable stadium deals include Fedex (\$7.6mm/yr in the 8th largest market), and PSInet (\$11mm plus \$5.25mm/yr in the 24th largest market).
- The deal represents the beginning of a significant branding effort to showcase the size and reach of its network companies. CMGI will also begin to break out 4-6 operating segments. Increased awareness of the brand and a clearer understanding of the operating model could help fuel the stock, which has been lagging.

Stock Performance

Merrill Lynch & Co.
Global Securities Research & Economics Group
Global Fundamental Equity Research Department

RCN10123719

CMGI 0034



CMGI Inc - 24 August 2000

CMGI Field

CMGI (Accumulate/Buy) and the New England Patriots today announced a new marketing and technology partnership to include CMGI's purchase of the naming rights for the new New England Patriots Stadium. "CMGI Field" is expected to open in 2002.

Although CMGI will acquire the rights immediately, it will not begin payments until 2002. At that time, CMGI will pay \$7.6mm/year for 15 years, with CPI adjustments in the last five years (minimum \$114mm total). In addition to naming rights, CMGI will also receive significant hospitality, sponsorship and promotional rights both in and around the new stadium complex, as well as in the Patriots' larger marketing and advertising properties. The annual payments represent less than 0.5% of total CMGI operating company revenue, and less than 2% of the annual marketing budget.

According to CMGI, the audience and media reach of the New England Patriots (Boston/Hartford/Providence) is the third largest media market in the US, and is expected to generate more than 2.6 billion impressions annually for the new stadium. Recent comparable stadium deals include FedEx (\$7.6mm/year for Redskins Stadium in the 8th largest media market), and PSInet (\$5.25mm/year in the 24th largest media market plus an \$11mm upfront payment).

In addition, CMGI operating companies will become preferred technology partners for the New England Patriots and New England Revolution. For instance, NaviSite will host www.patriots.com, which provides video highlights, daily programming, statistics, news and schedules. Activate will manage webcasts of Patriots news and special events.

The deal represents the beginning of a significant branding effort launched by the company to showcase the size and reach of its network of operating and @Venture companies. As previously announced, CMGI will also begin to give more financial detail, breaking out 4-6 different operating segments including possibly: 1) Ecommerce and fulfillment (Saleslink and uBid), 2) Marketing and services (Engage, Adforce, and yesmail), 3) Content and communities (AltaVista, MyWay.com and iCast), 4) Enabling technologies (Activate, Exchange Path, Tribalvoice, CMGI Solutions, Equilibrium, 1stup.com, CMGion, Navisite, and Navipath) and 5) CMGI@Ventures. The company noted that two of these

six are already profitable, and expects the other four to be profitable within a year. Increased awareness of the brand and a clearer understanding of the operating model could help fuel the stock, which has been lagging.

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Bulletin

22 September 2000

Investor Support

Intra-Day Special Note

RTHM, CMGI

Research Summary

Rhythms NetConnections (RTHM; \$8.06; D-1-1-9) OOE d\$8.20; OIE d\$9.25

- Rhythms held a positive analyst conference yesterday updating the progress of operations. The company, recently prereleased ranges for third quarter results that were on target with our current estimates (revenues of \$17 million, EBITDA losses of \$117 million, and lines added of 15,600), and also stated that it is comfortable with our fourth quarter and 2001 estimates (revenues of \$23 million and \$154 million, EBITDA losses of \$124 million and \$477 million, and line adds of 20,500 and 105,000).
- The company reiterated its belief that it can gain \$0 for line sharing as its permanent rates (unlike Covad which recently signed a 13-state deal with SBC for \$5.75 recurring charge per line), which should provide additional upside to gross margin, as well as to our net-line adds for the second half of 2001, as the provisioning cycle is decreased greatly. The company is also negotiating with a few of its vendors to shift its operating leases to capitalized leases (and shrink its amortization schedule to 5 years from 3), which could shrink EBITDA losses by \$30 million annually.
- The company is preparing to launch its updated back office infrastructure, with 4 new systems to be operational and fully integrated by November. We believe this will allow provisioning of new lines to double to 600 installs per day, from 300 today. This would put the company at a 6-9 month lag to its peer, Covad, which had a head start in launching its operations, and is currently at 1,100 installs per day.
- The company has gained access to remote terminals in Illinois, New York and Pennsylvania, although it must initially use the ILEC's digital loop carrier (DLC) equipment (mainly Alcatel line cards) in order to interface with the ILECs equipment (Rhythms expects multiple vendors to develop compatible line cards shortly). Nevertheless, this is a significant positive, allowing Rhythms deeper reach of its DSL services with greater speeds available to the end user.
- Senior representatives from Level 3, Cisco, and excite@home also presented, discussing their joint marketing programs with Rhythms and Rhythms ongoing execution with its telework partnerships (such as allowing Cisco employees to rapidly obtain DSL at home). Cisco currently constitutes 10% of net line adds and 30% of the company's total installed line base (with a respectable average revenue per user of \$142, in-line with the company's average ARPU of \$140).
- We continue to believe the company is funded until fourth quarter 2001, with options for cash conservation that may stretch out cash for one quarter. The company announced that it is reviewing multiple strategic options to provide further funding. Nevertheless, the company is at a cash burn rate of about \$150 million per quarter.

Merrill Lynch & Co.
Global Securities Research & Economics Group
Global Fundamental Equity Research Department

RC#11226617

CMGI 0036



Intra-Day Special Note – 22 September 2000

- The company also continues to expand its sales channels to include carrier, cable (excite@home), broadband integrators, and its own direct sales force. We expect to see an increasing percentage of lines added from residential customers, ultimately leading the company to 46% of total installed lines from residential at the end of next year (the remaining 54% from business customers), up from 35% today. The increase in residential users should decrease ARPU from its current \$120 average, but should also significantly drive line growth as line sharing is implemented toward year-end 2000.
- CMGI ended the quarter with \$654mm in cash and \$1.6B in marketable securities for total liquid assets of \$2.3B. At a current burn rate including investments of \$93mm a month (up from \$75mm last quarter), this will last 8-9 quarters. The company believes, however, that 4 of 5 operating segments should be cash flow positive by FY-end 2001. We expect CMGI to monetize additional holdings and to remain active in acquiring companies and making investments.
- CMGI trades at 1.0X estimated NAV of \$36. We are maintaining our Accumulate/Buy rating.

(H. Blodgett)

- We reiterate our intermediate- and long-term Buy opinion on Rhythms NetConnections. Rhythms provides high bandwidth services over a nationwide, DSL-based network. The company currently has operations in 59 markets and 96 MSAs (1,530 central office collocations) and should reach 70 markets or 100 MSAs (with 2,000 CO collocations) by year-end. The company recently turned free cash flow positive in its first market, San Jose, 1-year ahead of target, demonstrating the strong returns enjoyed by its DSL network. The company is also expanding internationally, with partnerships launched in Canada, and initial operations set up in Japan and Europe.

(K. Hoexter)

CMGI (CMGI; \$36.44; D-2-1-9)

- CMGI announced 4QF00 results last night, breaking out for the first time revenue and operating losses by its 5 operating segments and its @Ventures arm. The break-out makes it much easier to understand the business.
- Reported operating co. revenue in 4QF00 was essentially in line, growing 568% y/y and 62% seq. to \$377mm, versus consensus of about \$370mm. Adjusted operating expenses grew 42% seq., (although absolute losses increased). Organic revenue growth was about 21%.

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Comment

United States
Internet/e-Commerce

22 September 2000

Henry Blodget
First Vice President
(1) 212 449-0773
Henry_Blodget@ml.com

Kirsten Campbell
Assistant Vice President
(1) 212 449-3113
Kirsten_Campbell@ml.com

CMGI Inc

FQ4 Results

ACCUMULATE*

Reason for Report: Earnings Report

Long Term
BUY

Price: \$36.44

12 Month Price Objective:

Estimates (Jul)	1999A	2000E	2001E
EPS:	NA	NA	NA
P/E:	NM	NM	NM
EPS Change (YoY):			
Consensus EPS:			
(First Call: 21-Sep-2000)			
Cash Flow/Share:	NA	NA	NA
Price/Cash Flow:	NM	NM	NM
Dividend Rate:	Nil	Nil	Nil
Dividend Yield:	Nil	Nil	Nil

Opinion & Financial Data

Investment Opinion:	D-2-1-9
Mkt. Value / Shares Outstanding (m):	\$10,203.2 / 280
Book Value/Share (Jan-2000):	\$20.79
Price/Book Ratio:	1.8x
LT Liability % of Capital:	4.0%

Stock Data

52-Week Range:	\$163.50-\$33.13
Symbol / Exchange:	CMGI / OTC
Options:	None
Institutional Ownership-Spectrum:	14.7%
Brokers Covering (First Call):	8

ML Industry Weightings & Ratings**

Strategy; Weighting Rel. to Mkt.:	
Income:	Underweight (07-Mar-1995)
Growth:	Overweight (07-Mar-1995)
Income & Growth:	Overweight (07-Mar-1995)
Capital Appreciation:	In Line (28-Jan-1999)

Market Analysis; Technical Rating: Below Average (28-Mar-2000)

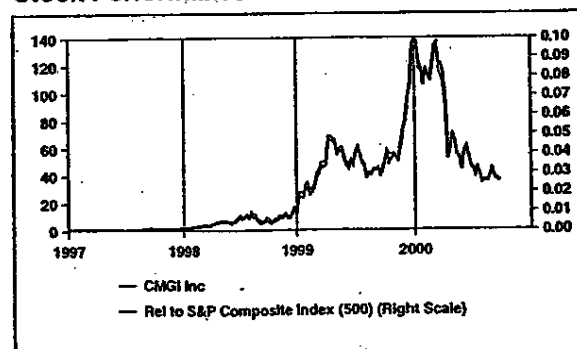
*Intermediate term opinion last changed on 20-Dec-1999.

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For full investment opinion definitions, see footnotes.

Investment Highlights:

- CMGI announced 4QF00 results last night, breaking out for the first time revenue and operating losses by its 5 operating segments and its @Ventures arm. The break-out makes it much easier to understand the business.
- Reported operating co. revenue in 4QF00 was essentially in line, growing 568% y/y and 62% seq. to \$377mm, versus consensus of about \$370mm. Adjusted operating expenses grew 42% seq., (although absolute losses increased). Organic revenue growth was about 21%.
- CMGI ended the quarter with \$654mm in cash and \$1.6B in marketable securities for total liquid assets of \$2.3B. At a current burn rate (including investments) of \$93mm a month (up from \$75mm last quarter), this will last 8-9 quarters. The company believes, however, that 4 of 5 operating segments should be cash flow positive by FY-end 2001. We expect CMGI to monetize additional holdings and to remain active in acquiring companies and making investments.
- CMGI trades at 1.0X estimated NAV of \$36. We are maintaining our Accumulate/Buy rating.

Stock Performance



Merrill Lynch & Co.
Global Securities Research & Economics Group
Global Fundamental Equity Research Department

RC#20126618

CMGI 0038

CMGI Inc - 22 September 2000



FQ4. CMGI announced 4QF00 results last night, breaking out for the first time revenue and operating losses by its five operating segments and its @Ventures arm, including cash flow break-even targets. The company also provided key metrics for each segment (though at this point we do not have prior metrics for comparison). While we believe the new focus on profitability is more clearly demonstrated by the new, detailed information, it will likely take some time for investors to digest the results of 17 operating companies, and assess whether CMGI can effectively stayed focused on all of them. The company expects the number of operating companies to consolidate from 17 down to about 10 over time.

Operating Companies: Reported operating company revenue in 4QF00 grew 568% y/y and 62% seq. to \$377mm, versus consensus estimates of about \$370mm. Adjusted operating expenses excluding in-process R&D and amortization of intangible assets and stock-based compensation charges were \$606.2mm, up 42% seq., significantly less than revenue growth, demonstrating CMGI's increased focus on operating company profitability. The only segments in which losses decreased in absolute dollars were Internet Professional Services and Interactive Marketing. All adjusted operating figures in the report exclude these charges. Including proforma uBid results, seq. revenue growth was about 21%. Management said it would give F2001 guidance in the next few weeks (prior guidance was \$2-2.5B rev. in calendar 2001), though it did indicate that four of its five operating segments should be cash flow positive by fiscal year end 2001.

Search and portals revenue (Alta Vista, Icast, MyWay) increased 6,208% y/y and 14% seq. to \$98.0mm, due mostly to AltaVista and iCast. Adjusted operating loss increased from \$77.0mm in F3Q to \$85.6mm, though it decreased slightly as a percentage from (89%) to (87%). Segment operating metrics included 62mm unique users and 85mm average daily page views in July, the majority of which are search related which garner the highest CPMs. Alta Vista is second only to Yahoo in search referrals, and greater than Lycos, the Go network and Excite combined. The search and portals segment is expected to be cash flow positive by fiscal year end, and AltaVista North America could be cash flow positive by calendar year end.

Infrastructure and enabling technologies (Activate, CMGion, Equilibrium, ExchangePath, NaviPath, NaviSite, Tribal Voice and 1stUp.com) revenue grew 938% Y/Y and 33% seq. to \$26.2mm, due to revenue growth at NaviSite. Adjusted operating loss increased from \$52.6mm in F3Q to \$70.2mm, and increased slightly as percentage from (266%) to (268%). Due to the earlier stage and capital intensive nature of these companies, this is the one operating segment that is not expected to be cash flow positive by year end. Metrics included: average annualized revenue per managed hosting customer of \$227,000, total data center "raised floor" space of 88,000 sq. ft., 15mm total streams, 44 terabytes of data transferred; 6.7mm ISP

subscribers; and 29.9mm recorded ISP usage hours in July.

Internet professional services (CMGI Solutions) revenue grew 24,096% y/y and 218% seq. to \$30.5mm, due mostly to reporting a full quarter of Tallan. Adjusted operating loss fell from \$6.4mm or (66%) in F3Q to \$1.5mm or (5%), and has turned cash flow positive since the quarter ended. Metrics included 391 billable consultants, and \$311,000 in annualized revenue per consultant.

E-business and fulfillment (SalesLink and uBid) revenue grew 275% y/y and 206% seq. to \$141.2mm due mostly to the acquisition of uBid. Adjusted operating loss increased from \$3.7mm in F3Q to \$5.2mm, but fell as percentage from (8%) to (4%). Metrics for the segment included 5.3mm unique users, and 306,000 items sold at auction. E-business and fulfillment is expected to be cash flow positive by fiscal year end.

Interactive marketing revenue (AdForce, Engage and yesmail.com) increased 457% y/y and 14% seq. to \$81.4mm, due to increases at Engage and Adforce and a full quarter of yesmail. The segment showed good leverage as adjusted operating losses fell from \$51.1mm or (71%) in F3Q to \$42.3mm or (52%) on the \$10mm revenue increase. Metrics included 79.3B ads served; 84mm unique, anonymous Engage profiles, 52.5mm emails served; and 11.6mm registered email members. Interactive marketing is expected to be cash flow positive by fiscal year end.

CMGI@Ventures: CMGI@Ventures invested in 2 new companies and made 12 follow-on financings this quarter, from 10 and 12 last quarter, respectively. Last quarter CMGI indicated it would take larger stakes in fewer companies. It clearly did this, though the amount invested has also fallen with market valuations from \$184mm last quarter to only \$55mm this quarter. CMGI@Ventures generated net pre-tax gains of \$132.4mm from the sale of Yahoo stock from the prior GeoCities sale, and from the sale of half.com to eBay. The return on liquidity events in F2000 was 589%. CMGI @Ventures is cash-flow positive, and has been since inception.

Liquidity. CMGI corporate ended the quarter with \$654mm in cash and equivalents, and available for sale securities of \$1.6B as of the market close yesterday. Total publicly traded holdings total about \$5 billion. At a current burn rate, including investments, of about \$93mm a month (\$279mm a quarter up from \$225 rate last quarter), this liquidity should support the company for 8-9 quarters. However, this presumes no more liquidity events, and no decrease in the current burn, which would not be the case if indeed 4 of the 5 operating segments are cash flow positive by fiscal year end (July). We expect the company to continue to monetize additional assets and remain active in acquiring companies and making investments.

Valuation. CMGI's stock performance is correlated to that

(Continued)



CMGI Inc - 22 September 2000

of its public holdings, partner companies and liquidity events, which rely heavily on the IPO market. With the IPO window still shut, CMGI likely has few near term catalysts. However, other types of liquidity events such as the sale of half.com to eBay and eGroups to Yahoo can help the stock. We expect Alta Vista to attempt an IPO in the March quarter, by which time we expect the IPO window to be back open.

We estimate the company's NAV to be about \$36 a share—about where it is trading. Valuing CMGI is difficult (estimated asset value plus option value leaves plenty of room for subjectivity). CMGI tends to trade as a proxy for the Internet sector and IPO market (i.e., when the sector gets hit, so does CMGI). Bottom line, CMGI is long the internet. As long as fundamentals of Internet usage and e-commerce look strong, we believe the top names, including CMGI, will recover. We rate CMGI Accumulate/Buy.

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Opinion Key (K-a-b-c): Investment Risk Rating (0): A - Low, B - Average, C - Above Average, D - High. Appreciation Potential Rating (a: Int. Term - 0-12 mo.; b: Long Term - >1 yr.): 1 - Buy, 2 - Accumulate, 3 - Neutral, 4 - Reduce, 5 - Sell, 6 - No Rating. Income Rating (1-7): 1 - Same/Higher, 2 - Same/Lower, 3 - No Cash Dividend.

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Bulletin

United States
Internet/e-Commerce

22 September 2000

Henry Blodget
First Vice President
(1) 212 449-0773
Henry_Blodget@ml.com

Kirsten Campbell
Assistant Vice President
(1) 212 449-3113
Kirsten_Campbell@ml.com

CMGI Inc

FQ4 Results, Part 1

ACCUMULATE*

Reason for Report: Earnings Report

Long Term
BUY

Price: \$36.44

12 Month Price Objective:

Estimates (Jul)	1999A	2000E	2001E
EPS:	NA	NA	NA
P/E:	NM	NM	NM
EPS Change (YoY):		NM	NM
Consensus EPS:			
(First Call: 21-Sep-2000)			
Cash Flow/Share:	NA	NA	NA
Price/Cash Flow:	NM	NM	NM
Dividend Rate:	Nil	Nil	Nil
Dividend Yield:	Nil	Nil	Nil

Opinion & Financial Data

Investment Opinion:	D-2-1-9
Mkt. Value / Shares Outstanding (mm):	\$10,203.2 / 280
Book Value/Share (Jan-2000):	\$20.79
Price/Book Ratio:	1.8x
LT Liability % of Capital:	4.0%

Stock Data

52-Week Range:	\$163.50-\$33.13
Symbol / Exchange:	CMGI / OTC
Options:	None
Institutional Ownership-Spectrum:	14.7%
Brokers Covering (First Call):	8

ML Industry Weightings & Ratings**

Strategy; Weighting Rel. to Mkt.:	
Income:	Underweight (07-Mar-1995)
Growth:	Overweight (07-Mar-1995)
Income & Growth:	Overweight (07-Mar-1995)
Capital Appreciation:	In Line (28-Jan-1999)

Market Analysis; Technical Rating: Below Average (28-Mar-2000)

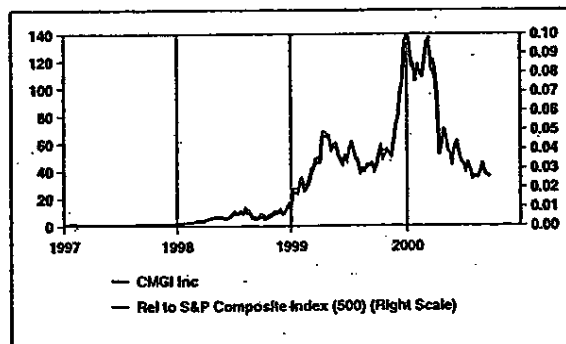
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For full investment opinion definitions, see footnotes.

Investment Highlights:

- CMGI announced 4QF00 results last night, breaking out for the first time revenue and operating losses by its 5 operating segments and its @Ventures arm. The break-out makes it much easier to understand the business.
- Reported operating co. revenue in 4QF00 was essentially in line, growing 568% y/y and 62% seq. to \$377mm, versus consensus of about \$370mm. Adjusted operating expenses grew 42% seq., (although absolute losses increased). Organic revenue growth was about 21%.
- CMGI ended the quarter with \$654mm in cash and \$1.6B in marketable securities for total liquid assets of \$2.3B. At a current burn rate (including investments) of \$93mm a month (up from \$75mm last quarter), this will last 8-9 quarters. The company believes, however, that 4 of 5 operating segments should be cash flow positive by FY-end 2001. We expect CMGI to monetize additional holdings and to remain active in acquiring companies and making investments.
- CMGI trades at 1.0X estimated NAV of \$36. We are maintaining our Accumulate/Buy rating.

Stock Performance



Merrill Lynch & Co.
Global Securities Research & Economics Group
Global Fundamental Equity Research Department

RC#10126643

CMGI 0041

CMGI Inc - 22 September 2000



FQ4. CMGI announced 4QF00 results last night, breaking out for the first time revenue and operating losses by its five operating segments and its @Ventures arm, including cash flow break-even targets. The company also provided key metrics for each segment (though at this point we do not have prior metrics for comparison). While we believe the new focus on profitability is more clearly demonstrated by the new, detailed information, it will likely take some time for investors to digest the results of 17 operating companies, and assess whether CMGI can effectively stayed focused on all of them. The company expects the number of operating companies to consolidate from 17 down to about 10 over time.

Operating Companies: Reported operating company revenue in 4QF00 grew 568% y/y and 62% seq. to \$377mm, versus consensus estimates of about \$370mm. Adjusted operating expenses excluding in-process R&D and amortization of intangible assets and stock-based compensation charges were \$606.2mm, up 42% seq., significantly less than revenue growth, demonstrating CMGI's increased focus on operating company profitability. The only segments in which losses decreased in absolute dollars were Internet Professional Services and Interactive Marketing. All adjusted operating figures in the report exclude these charges. Including proforma uBid results, seq. revenue growth was about 21%. Management said it would give F2001 guidance in the next few weeks (prior guidance was \$2-2.5B rev. in calendar 2001), though it did indicate that four of its five operating segments should be cash flow positive by fiscal year end 2001.

Search and portals revenue (Alta Vista, iCast, MyWay) increased 6,208% y/y and 14% seq. to \$98.0mm, due mostly to AltaVista and iCast. Adjusted operating loss increased from \$77.0mm in F3Q to \$85.6mm, though it decreased slightly as a percentage from (89%) to (87%). Segment operating metrics included 62mm unique users and 85mm average daily page views in July, the majority of which are search related, which garner the highest CPMs. Alta Vista is second only to Yahoo in search referrals, and greater than Lycos, the Go network and Excite combined. The search and portals segment is expected to be cash flow positive by fiscal year end, and AltaVista North America could be cash flow positive by calendar year end.

Infrastructure and enabling technologies (Activate, CMGion, Equilibrium, ExchangePath, NaviPath, NaviSite, Tribal Voice and 1stUp.com) revenue grew 938% Y/Y and

33% seq. to \$26.2mm, due to revenue growth at NaviSite. Adjusted operating loss increased from \$52.6mm in F3Q to \$70.2mm, and increased slightly as percentage from (266%) to (268%). Due to the earlier stage and capital intensive nature of these companies, this is the one operating segment that is not expected to be cash flow positive by year end. Metrics included: average annualized revenue per managed hosting customer of \$227,000, total data center "raised floor" space of 88,000 sq. ft., 15mm total streams, 44 terabytes of data transferred; 6.7mm ISP subscribers; and 29.9mm recorded ISP usage hours in July.

Internet professional services (CMGI Solutions) revenue grew 24,096% y/y and 218% seq. to \$30.5mm, due mostly to reporting a full quarter of Tallan. Adjusted operating loss fell from \$6.4mm or (66%) in F3Q to \$1.5mm or (5%), and has turned cash flow positive since the quarter ended. Metrics included 391 billable consultants, and \$311,000 in annualized revenue per consultant.

E-business and fulfillment (SalesLink and uBid) revenue grew 275% y/y and 206% seq. to \$141.2mm due mostly to the acquisition of uBid. Adjusted operating loss increased from \$3.7mm in F3Q to \$5.2mm, but fell as percentage from (8%) to (4%). Metrics for the segment included 5.3mm unique users, and 306,000 items sold at auction. E-business and fulfillment is expected to be cash flow positive by fiscal year end.

Interactive marketing revenue (AdForce, Engage and yesmail.com) increased 457% y/y and 14% seq. to \$81.4mm, due to increases at Engage and Adforce and a full quarter of yesmail. The segment showed good leverage as adjusted operating losses fell from \$51.1mm or (71%) in F3Q to \$42.3mm or (52%) on the \$10mm revenue increase. Metrics included 79.3B ads served; 84mm unique, anonymous Engage profiles, 52.5mm emails served; and 11.6mm registered email members. Interactive marketing is expected to be cash flow positive by fiscal year end.

(*Note: Continued in "FQ4 Results, Part 2")

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CMGI Inc

FQ4 Results, Part 2

ACCUMULATE*

Reason for Report: Earnings Report

Long Term
BUY

Price: \$36.44

12 Month Price Objective:

Estimates (Jul)	1999A	2000E	2001E
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P/E:	NM	NM	NM
EPS Change (YoY):		NM	NM
Consensus EPS:			
(First Call: 21-Sep-2000)			
Cash Flow/Share:	NA	NA	NA
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Dividend Rate:	Nil	Nil	Nil
Dividend Yield:	Nil	Nil	Nil

Opinion & Financial Data

Investment Opinion:	D-2-1-9
Mkt. Value / Shares Outstanding (m):	\$10,203.2 / 280
Book Value/Share (Jan-2000):	\$20.79
Price/Book Ratio:	1.8x
LT Liability % of Capital:	4.0%

Stock Data

52-Week Range:	\$163.50-\$33.13
Symbol / Exchange:	CMGI / OTC
Options:	None
Institutional Ownership-Spectrum:	14.7%
Brokers Covering (First Call):	8

ML Industry Weightings & Ratings**

Strategy; Weighting Rel. to Mkt.:	
Income:	Underweight (07-Mar-1995)
Growth:	Overweight (07-Mar-1995)
Income & Growth:	Overweight (07-Mar-1995)
Capital Appreciation:	In Line (28-Jan-1999)

Market Analysis; Technical Rating: Below Average (28-Mar-2000)

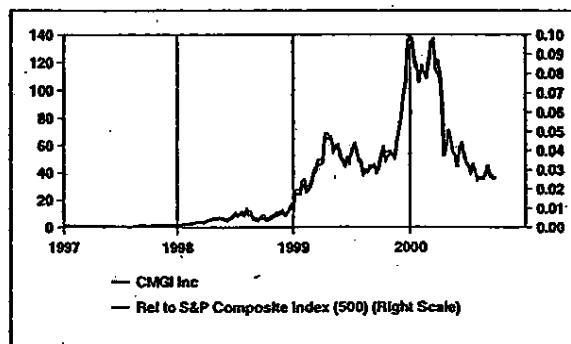
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- CMGI ended the quarter with \$654mm in cash and \$1.6B in marketable securities for total liquid assets of \$2.3B. At a current burn rate (including investments) of \$93mm a month (up from \$75mm last quarter), this will last 8-9 quarters. The company believes, however, that 4 of 5 operating segments should be cash flow positive by FY-end 2001. We expect CMGI to monetize additional holdings and to remain active in acquiring companies and making investments.
- CMGI trades at 1.0X estimated NAV of \$36. We are maintaining our Accumulate/Buy rating.

Stock Performance



Merrill Lynch & Co.
Global Securities Research & Economics Group
Global Fundamental Equity Research Department

RC#10126644

CMGI 0043

CMGI Inc - 22 September 2000



(*Note: Continued from "FQ4 Results, Part 1")

CMGI@Ventures: CMGI@Ventures invested in 2 new companies and made 12 follow-on financings this quarter, from 10 and 12 last quarter, respectively. Last quarter CMGI indicated it would take larger stakes in fewer companies. It clearly did this, though the amount invested has also fallen with market valuations from \$184mm last quarter to only \$55mm this quarter. CMGI@Ventures generated net pre-tax gains of \$132.4mm from the sale of Yahoo stock from the prior GeoCities sale, and from the sale of half.com to eBay. The return on liquidity events in F2000 was 589%. CMGI @Ventures is cash-flow positive, and has been since inception.

Liquidity. CMGI corporate ended the quarter with \$654mm in cash and equivalents, and available for sale securities of \$1.6B as of the market close yesterday. Total publicly traded holdings total about \$5 billion. At a current burn rate, including investments, of about \$93mm a month (\$279mm a quarter up from \$225 rate last quarter), this liquidity should support the company for 8-9 quarters. However, this presumes no more liquidity events, and no decrease in the current burn, which would not be the case if indeed 4 of the 5 operating segments are cash flow positive by fiscal year end (July). We expect the company to continue to monetize additional assets and remain active in acquiring companies and making investments.

Valuation. CMGI's stock performance is correlated to that of its public holdings, partner companies and liquidity events, which rely heavily on the IPO market. With the IPO window still shut, CMGI likely has few near term catalysts. However, other types of liquidity events such as the sale of half.com to eBay and eGroups to Yahoo can help the stock. We expect Alta Vista to attempt an IPO in the March quarter, by which time we expect the IPO window to be back open.

We estimate the company's NAV to be about \$36 a share—about where it is trading. Valuing CMGI is difficult (estimated asset value plus option value leaves plenty of room for subjectivity). CMGI tends to trade as a proxy for the Internet sector and IPO market (i.e., when the sector gets hit, so does CMGI). Bottom line, CMGI is long the internet. As long as fundamentals of Internet usage and e-commerce look strong, we believe the top names, including CMGI, will recover. We rate CMGI Accumulate/Buy.

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Comment

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Internet/e-Commerce

4 October 2000

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Henry_Blodget@ml.com

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CMGI Inc

Recent Weakness

ACCUMULATE*

Reason for Report: Update

Long Term
BUY

Price: \$24.25

12 Month Price Objective:

Estimates (Jul)	2000A	2001E
EPS:	NA	NA
P/E:	NM	NM
EPS Change (YoY):		NM
Consensus EPS:		\$-5.44
(First Call: 02-Oct-2000)		
Cash Flow/Share:	NA	NA
Price/Cash Flow:	NM	NM
Dividend Rate:	Nil	Nil
Dividend Yield:	Nil	Nil

Opinion & Financial Data

Investment Opinion:	D-2-1-9
Mkt. Value / Shares Outstanding (mm):	\$6,685 / 280
Book Value/Share (Jan-2000):	\$20.79
Price/Book Ratio:	1.1x
LT Liability % of Capital:	4.0%

Stock Data

52-Week Range:	\$163.50-\$23.00
Symbol / Exchange:	CMGI / OTC
Options:	None
Institutional Ownership-Spectrum:	14.7%
Brokers Covering (First Call):	4

ML Industry Weightings & Ratings**

Strategy; Weighting Rel. to Mkt.:		
Income:	Underweight	(07-Mar-1995)
Growth:	Overweight	(07-Mar-1995)
Income & Growth:	Overweight	(07-Mar-1995)
Capital Appreciation:	In Line	(28-Jan-1999)

Market Analysis; Technical Rating: Below Average (28-Mar-2000)

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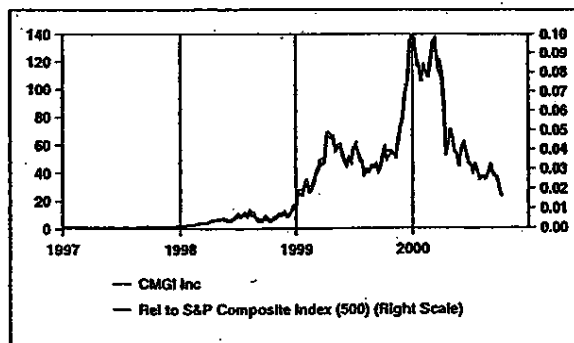
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Investment Highlights:

- CMGI stock has been very weak recently, down 35% in the last two weeks.
- As a proxy for the internet sector, CMGI gets hit doubly hard when the sector is weak. CMGI's stock performance is tied to both its NAV, and the NAV multiple investors are willing to pay.
- Since CMGI holds a basket of internet stocks, its NAV (50% of which are publicly traded internet stocks) has dropped as the sector has declined. We estimate NAV is now about \$25, down from NAV of \$36 about two weeks ago.
- With a declining NAV, improved stock performance would require multiple expansion, which is unlikely in this environment, especially because CMGI's cash position is starting to become an issue.
- At end of the July quarter, CMGI had \$654mm in cash. At July's burnrate of 93mm, this would last about 7 months. Therefore the company will either have to 1) raise additional cash or 2) sell some of its holdings or marketable securities, which at end of July were valued at \$1.6B, or 3) significantly reduce its cash burn.
- The company believes, however, that 4 of 5 operating segments should be cash flow positive by FY-end 2001 (July). We expect CMGI to monetize additional holdings and to

Stock Performance



Merrill Lynch & Co.
Global Securities Research & Economics Group
Global Fundamental Equity Research Department

RC#20127867

CMGI 0045

CMGI Inc - 4 October 2000



remain active in acquiring companies and making investments.

- **CMGI trades at 1.0X estimated NAV of \$25, at the low end of its 1-2X historical range. We do not expect the multiple to expand in an environment of worsening sentiment unless CMGI can illustrate that its operating divisions are making strong progress towards turning cash flow positive.**

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CMGI Inc

Recent Weakness

ACCUMULATE*

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Investment Opinion:	D-2-1-9
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Growth:	Overweight	(07-Mar-1995)
Income & Growth:	Overweight	(07-Mar-1995)
Capital Appreciation:	In Line	(28-Jan-1999)

Market Analysis; Technical Rating: Below Average (28-Mar-2000)

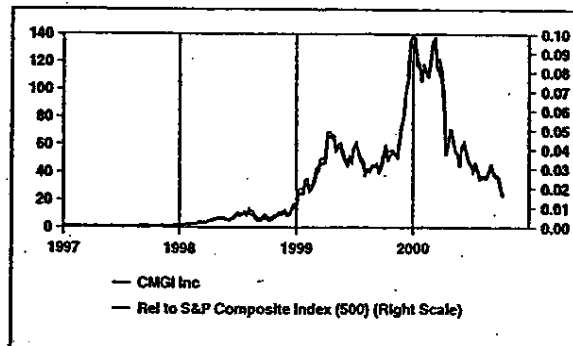
*Intermediate term opinion last changed on 20-Dec-1999.

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For full investment opinion definitions, see footnotes.

Investment Highlights:

- CMGI stock has been very weak recently, down 35% in the last two weeks.
- As a proxy for the internet sector, CMGI gets hit doubly hard when the sector is weak. CMGI's stock performance is tied to both its NAV, and the NAV multiple investors are willing to pay.
- Since CMGI holds a basket of internet stocks, its NAV (50% of which are publicly traded internet stocks) has dropped as the sector has declined. We estimate NAV is now about \$25, down from NAV of \$36 about two weeks ago.
- With a declining NAV, improved stock performance would require multiple expansion, which is unlikely in this environment, especially because CMGI's cash position is starting to become an issue.
- At end of the July quarter, CMGI had \$654mm in cash. At July's burnrate of 93mm, this would last about 7 months. Therefore the company will either have to 1) raise additional cash or 2) sell some of its holdings or marketable securities, which at end of July were valued at \$1.6B, or 3) significantly reduce its cash burn.
- The company believes, however, that 4 of 5 operating segments should be cash flow positive by FY-end 2001 (July). We expect CMGI to monetize additional holdings and to

Stock Performance



RC#10127896

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CMGI 0047

CMGI Inc -- 4 October 2000



remain active in acquiring companies and making investments.

- CMGI trades at 1.0X estimated NAV of \$25, at the low end of its 1-2X historical range. We do not expect the multiple to expand in an environment of worsening sentiment unless CMGI can illustrate that its operating divisions are making strong progress towards turning cash flow positive.

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Opinion Key (X-a-b-c): Investment Risk Rating(X): A - Low, B - Average, C - Above Average, D - High. Appreciation Potential Rating (a: Int. Term - 0-12 mo.; b: Long Term - >1 yr.); 1 - Buy, 2 - Accumulate, 3 - Neutral, 4 - Reduce, 5 - Sell, 6 - No Rating. Income Rating(c): 7 - Same/Higher, 8 - Same/Lower, 9 - No Cash Dividend.

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Bulletin

United States
Internet/e-Commerce

6 October 2000

Henry Blodget
First Vice President
(1) 212 449-0773
Henry_Blodget@ml.com

Kirsten Campbell
Assistant Vice President
(1) 212 449-3113
Kirsten_Campbell@ml.com

CMGI Inc

Cash Position Update

ACCUMULATE*

Reason for Report: Update

Long Term
BUY

Price: \$19

Estimates (Jul)	2000A	2001E
EPS:	NA	NA
P/E:	NM	NM
EPS Change (YoY):		NM
Consensus EPS:		
(First Call: 02-Oct-2000)		
Cash Flow/Share:	NA	NA
Price/Cash Flow:	NM	NM
Dividend Rate:	Nil	Nil
Dividend Yield:	Nil	Nil

Opinion & Financial Data

Investment Opinion:	D-2-I-9
Mkt. Value / Shares Outstanding (mn):	\$5,586 / 294
Book Value/Share (Jan-2000):	\$20.79
Price/Book Ratio:	0.9x
LT Liability % of Capital:	4.0%

Stock Data

52-Week Range:	\$163.50-\$18.38
Symbol / Exchange:	CMGI / OTC
Options:	None
Institutional Ownership-Spectrum:	14.7%
Brokers Covering (First Call):	4

ML Industry Weightings & Ratings**

Strategy; Weighting Rel. to Mkt.:	
Income:	Underweight (07-Mar-1995)
Growth:	Overweight (07-Mar-1995)
Income & Growth:	Overweight (07-Mar-1995)
Capital Appreciation:	In Line (28-Jan-1999)

Market Analysis; Technical Rating: Below Average (28-Mar-2000)

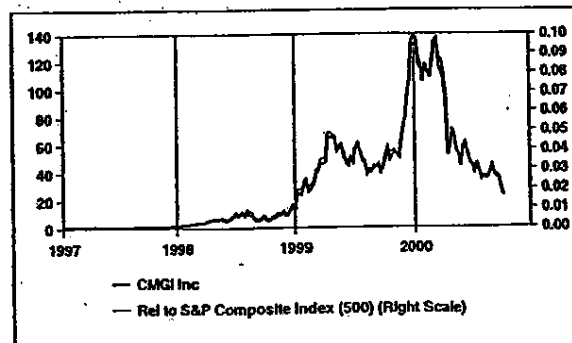
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Investment Highlights:

- We've received a number of questions about our comments on CMGI's cash position. This note is intended to clarify those comments.
- While cash remains a watch item for CMGI (and most internet companies), CMGI is taking steps to reduce its burn, and we do not believe solvency is an issue for CMGI.
- In a 10/4 note we stated that at the July's quarter's burn rate of \$93mm/month (up from \$75mm/mo. in the April quarter) CMGI's cash of \$654mm would last them about 7 months. We noted that this implied the company would either have to 1) raise additional cash, 2) sell some marketable securities, which at end of July were valued at \$1.6B, or 3) significantly reduce its cash burn.
- We understand that the has taken several steps to reduce the cash burn of its operating companies.
- In recent weeks, CMGI has accelerated expected profitability at Engage and AltaVista, and we expect to see additional improvements elsewhere.
- We do not believe we will see much of the effects of these efforts in the current quarter. However, if the company is successful, we believe the cash burn can start to decline

Stock Performance



RC#10128058

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CMGI 0049

CMGI Inc - 6 October 2000



significantly in 1-2 quarters, and can last CMGI through break-even. As we stated yesterday, the CMGI expects 5 of 6 operating companies to be break even by fiscal year end (July).

- We do not expect the company to sell any of its operating company holdings, though we would not be surprised to see it sell some non-core marketable securities.

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